

FEDERAL BUREAU OF INVESTIGATION  
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## Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. FLETCHER

FROM : D. M. Ladd

SUBJECT:

DATE: September 17, 1948

368-692

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Pm OGA

Mr. Tolson \_\_\_\_\_  
 Mr. E. A. Tamm \_\_\_\_\_  
 Mr. Clegg \_\_\_\_\_  
 Mr. Glavin \_\_\_\_\_  
 Mr. Ladd \_\_\_\_\_  
 Mr. Nichols \_\_\_\_\_  
 Mr. Rosen \_\_\_\_\_  
 Mr. Tracy \_\_\_\_\_  
 Mr. Carson \_\_\_\_\_  
 Mr. Egan \_\_\_\_\_  
 Mr. Gurnea \_\_\_\_\_  
 Mr. Harbo \_\_\_\_\_  
 Mr. Hendon \_\_\_\_\_  
 Mr. Pennington \_\_\_\_\_  
 Mr. Quinn Tamm \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Mr. Nease \_\_\_\_\_  
 Miss Holmes \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

Colonel John Grumbach called at my office on September 16. He is now with the Phillips Petroleum Company. He stated that this concern in this country is strictly American owned, that, however, he has heard that

Referral/Consult

He advised me that he had not been called to appear before the Investigating Committee on the inquiry concerning CIA, that in the event he was called it was his intention to advise that

DML:dad

51 OCT 4 1948

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22 SEP 23 1948

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62-80750-790

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RECORDED 56

~~CONFIDENTIAL~~  
BY SPECIAL RESOLUTION

62-80750-795

Date: September 17, 1948

To: Director  
Central Intelligence Agency  
2430 E Street N. W.  
Washington, D. C.

Attention:

From: John Edgar Hoover - Director, Federal Bureau of Investigation

Subject:

There is attached for your information and attention a copy

This Bureau's files contain no information on

Enclosure

(668-492)

DECLASSIFIED BY 60262 NLS/EP/207

ON 6-9-98

per OGA

F B I  
71 SEP 20 1948

JDB:ler

10071313-10

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62-80750-795

Dear

\_\_\_\_\_


CC:

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for information  
enclosure

Enclosure

CC: Foreign Service Desk  
JLB:mer

CC: Foreign Service  
JLB:mer

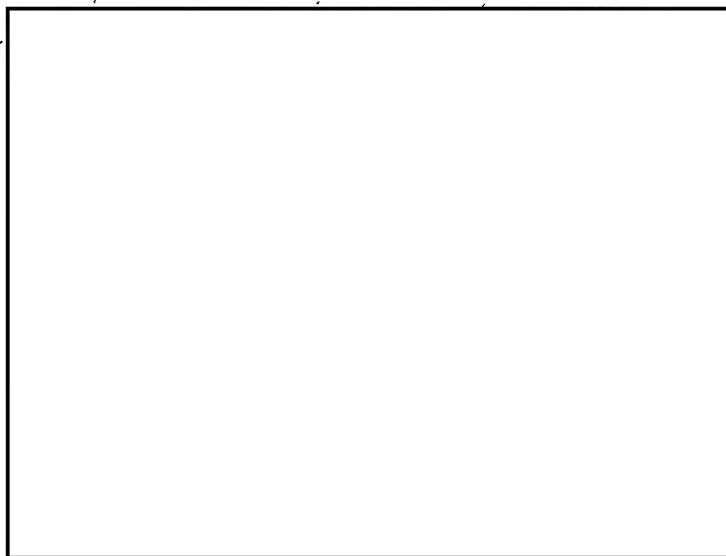
Mr. Tolson \_\_\_\_\_  
Mr. E. A. Tamm \_\_\_\_\_  
Mr. Clegg \_\_\_\_\_  
Mr. Glavin \_\_\_\_\_  
Mr. Ladd \_\_\_\_\_  
Mr. Nichols \_\_\_\_\_  
Mr. Rosen \_\_\_\_\_  
Mr. Tracy \_\_\_\_\_  
Mr. E. A. \_\_\_\_\_  
Mr. Harbo \_\_\_\_\_  
Mr. Mohr \_\_\_\_\_  
Mr. Pennington \_\_\_\_\_  
Mr. Quinn Tamm \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Mr. Nease \_\_\_\_\_  
Miss Gandy \_\_\_\_\_

Service DESPATCHES SECTION  
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FEDERAL BUREAU OF INVESTIGATION  
U. S. DEPARTMENT OF JUSTICE

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OFFICE OF DIRECTOR  
FEDERAL BUREAU OF INVESTIGATION  
UNITED STATES DEPARTMENT OF JUSTICE

9-15-48



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Director's Notation:  
"Haven't we had some  
difficulty with Baldwin  
re some article he  
wrote?"

H."

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Rm OCM

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58 00. 56

53 1948

## Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. H. B. FLETCHER

DATE: October 11, 1948

FROM : MR. V. P. KEAY

SUBJECT: [REDACTED]

b3

Mr. Tolson \_\_\_\_\_  
 Mr. E. A. Tamm \_\_\_\_\_  
 Mr. Clegg \_\_\_\_\_  
 Mr. Coffey \_\_\_\_\_  
 Mr. Glavin \_\_\_\_\_  
 Mr. Ladd \_\_\_\_\_  
 Mr. Nichols \_\_\_\_\_  
 Mr. Rosen \_\_\_\_\_  
 Mr. Tracy \_\_\_\_\_  
 Mr. Carson \_\_\_\_\_  
 Mr. Egan \_\_\_\_\_  
 Mr. Gurnea \_\_\_\_\_  
 Mr. Hendon \_\_\_\_\_  
 Mr. Pennington \_\_\_\_\_  
 Mr. Quinn Tamm \_\_\_\_\_  
 Tele. Room \_\_\_\_\_  
 Mr. Nease \_\_\_\_\_  
 Miss Beahm \_\_\_\_\_  
 Miss Gandy \_\_\_\_\_

[REDACTED] contacted Agent DeLoach  
 and advised that [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

b3

This matter was discussed by Agent DeLoach with Mr. Renneberger of  
 the Bureau's Mechanical Section, who advised [REDACTED]  
 [REDACTED]  
 [REDACTED]

ACTION:

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None. This is for informational purposes only. 31 OCT 12 1948

CDD:arm

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59 OCT 18 1948

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 PMS/DA

Central Intelligence Agency

2-1

## Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. FLETCHER

DATE: September 28, 1948

FROM : D. M. Ladd

SUBJECT:

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Mohr	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Gandy	

[redacted] called at my office on September 27, 1948. He advised [redacted]

[redacted]

[redacted]

As a matter of interest, during the discussion with [redacted] he made the statement that [redacted]

[redacted]

[redacted]

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RM OGM

DML:dad

31 noted on Army & CIA  
53 Ladd 26 1948  
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62-80750-201  
OCT 12 1948  
EX-25

## Office Memorandum • UNITED STATES GOVERNMENT

TO : H. B. Fletcher,

DATE: October 12, 1948

FROM : L. Whitson

**SUBJECT:**

b3

Mr. Tolson \_\_\_\_\_  
Mr. E. A. Tamm \_\_\_\_\_  
Mr. Clegg \_\_\_\_\_  
Mr. Glavin \_\_\_\_\_  
Mr. Ladd \_\_\_\_\_  
Mr. Nichols \_\_\_\_\_  
Mr. Rosen \_\_\_\_\_  
Mr. Tracy \_\_\_\_\_  
Mr. Egan \_\_\_\_\_  
Mr. Gurnea \_\_\_\_\_  
Mr. Harbo \_\_\_\_\_  
Mr. Mohr \_\_\_\_\_  
Mr. Pennington \_\_\_\_\_  
Mr. Quinn Tamm \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Mr. Nease \_\_\_\_\_  
Miss Holmes \_\_\_\_\_  
Miss Gandy \_\_\_\_\_

This will record that on September 24, 1948, Mr. DeLoach of the Liaison Unit and Mr. Godfrey of the Espionage Unit called on [REDACTED]

L. Grey ✓  
 T. GACH  
 2768  
 b3 mo  
 G. I. R. -3

No action is required in connection with this matter. This is for your information.

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DATE 5-27-99 BY 6426

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4 OCT 19 1948

62 NOV 15 1948

Office Memorandum

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DATE 10-22-2012

TO : MR. H. B. FLETCHER

DATE: October 21, 1948

FROM : MR. V. P. KEAY

b1  
b3

SUBJECT:

[Redacted] (S)

Mr. Tolson \_\_\_\_\_  
Mr. E. A. Tamm \_\_\_\_\_  
Mr. Clegg \_\_\_\_\_  
Mr. Glavin \_\_\_\_\_  
Mr. Ladd \_\_\_\_\_  
Mr. Nichols \_\_\_\_\_  
Mr. Rosen \_\_\_\_\_  
Mr. Tracy \_\_\_\_\_  
Mr. Egan \_\_\_\_\_  
Mr. Gurnea \_\_\_\_\_  
Mr. Harbo \_\_\_\_\_  
Mr. Mohr \_\_\_\_\_  
Mr. Pennington \_\_\_\_\_  
Mr. Quinn Tamm \_\_\_\_\_  
Tele. Room \_\_\_\_\_  
Mr. Nease \_\_\_\_\_  
Miss Holmes \_\_\_\_\_  
Miss Gandy \_\_\_\_\_

b1  
b3

[Redacted] (S)

As you are aware, [Redacted]

b3

[Redacted] (S)

b1  
b3

ACTION:

For your approval, a letter to the New York Office is attached hereto.

Attachment

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SAC, Seattle

October 4, 1948

Director, FBI

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62-80750-869

Reference is made to your letter dated September 17, 1948, wherein you indicated that [redacted]

For your information [redacted]

b3

You are instructed to immediately advise the Bureau if [redacted]

[redacted] Special Agent Whidbee, as mentioned in referenced letter, should definitely be interviewed and asked to express his opinion [redacted]

CDD:arm:eal

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PAC DGA

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FEDERAL BUREAU OF INVESTIGATION  
U. S. DEPARTMENT OF JUSTICE  
COMMUNICATIONS SECTION

NOV 4 1948

TELETYPE

Mr. Tolson	✓
Mr. Clegg	✓
Mr. Glavin	✓
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	✓
Mr. Tracy	✓
Mr. Egan	✓
Mr. Gurnea	✓
Mr. Harbo	✓
Mr. Mohr	✓
Mr. Pennington	✓
Mr. Quinn Tamm	✓
Mr. Nease	✓
Miss Gandy	✓

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DATE 5-27-99 BY 60362 NLS/ep/om  
for GSA

*For info*  
*EX-109*

*Delboch*

WASHINGTON FROM NEW YORK 284 6-28

DIRECTOR URGENT

*Central Intelligence Agency*  
RELATIONS WITH CIA

THIS FOR INFORMATION OF BUREAU

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FBI AUTOMATIC DECLASSIFICATION GUIDE  
DATE 10-22-2012

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THIS SERIAL THE (Date)

ISSUE OF THE (Name of the pamphlet)

[Redacted area]

SUBJECT

[Redacted area]

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ADDITIONAL INFORMATION

[Redacted area]

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## Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: September 7, 1948

FROM : D. M. Ladd *DL*

SUBJECT: THE CENTRAL INTELLIGENCE AGENCY

b3

Mr. Tolson  
Mr. E. A. Tamm  
Mr. Clegg  
Mr. Glavin  
Mr. Ladd  
Mr. Nichols  
Mr. Rosen  
Mr. Tracy  
Mr. Carson  
Mr. Egan  
Mr. Gurnea  
Mr. Harbo  
Mr. Hendon  
Mr. Pennington  
Mr. Quinn Tamm  
Tele. Room  
Mr. Nease  
Miss Beahm  
Miss Gandy

There is attached [redacted] in  
the event it is necessary for you to meet with Mr. Eberstadt of former  
President Hoover's commission regarding the CIA [redacted]  
[redacted] Also attached is [redacted]  
[redacted]

VPK:md

Attachment

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J. L. R. - 26

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\_\_\_\_\_

The FBI originally proposed that the plan utilized in Latin America during World War II be expanded to a world-wide basis because of its flexibility of operations and its record of functioning efficiently, secretly and economically in the Western Hemisphere from prior to Pearl Harbor until the early part of 1947. The FBI plan provided for a separate office of collection, evaluation and dissemination possibly in the State Department, with field operations being performed by the FBI, the Office of Naval Intelligence and the Office of Military Intelligence, each Agency operating through its representative in each foreign country closely coordinated and with the cooperation of the United States Ambassador. It was proposed that the same operational committee originally set up by the President composed of the Directors of Military Intelligence, Naval Intelligence and the FBI, with the addition of an Assistant Secretary of State, be continued. It recommended a committee composed of the Secretary of State, War and Navy and the Attorney General for the purpose of controlling basic policy. At present of course representatives of the Department of the Air Force would be included.

September 1, 1948

MEMORANDUM FOR MR. LADD  
RE: WORLD-WIDE INTELLIGENCE COVERAGE

Pursuant to the Director's request, there is attached a revision of the memorandum entitled "COORDINATION OF ARMED FORCES; WORLD-WIDE INTELLIGENCE" which was prepared for use in connection with possible testimony for Congressional Committee.

The attached memorandum on World-Wide Intelligence has been prepared for use in any possible discussions in the event the issue of foreign intelligence coverage again arises.

Respectfully,

V. P. Kony

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WORLD-WIDE INTELLIGENCE

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V. FBI Plan for United States Secret World-Wide Intelligence	
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#### APPENDIX

Organizational Chart of National Security (September 20, 1947)	I
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Historical Summary and Critique of FBI SIS Operations	III
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DATE 10-22-2012

## WORLD-WIDE INTELLIGENCE

### I. FBI Operations in Latin America

#### A. Origin and Background

Early in May, 1940, conversations took place between the Director of the Federal Bureau of Investigation and Assistant Secretary of State A. A. Berle with regard to the desirability of setting up a Special Intelligence Service under the auspices of the FBI to gather secret intelligence in connection with subversive activities throughout the Western Hemisphere, excluding Panama. These conversations resulted in further conferences and discussions between the Director of the FBI, Mr. Berle and the respective heads of ONI and G-2.

Based upon these conversations and the agreements which resulted therefrom, the President of the United States issued a directive following which the Director of the FBI instructed in June of 1940 that a Special Intelligence Service be established within the FBI for secret operations in the intelligence field in Latin America. This intelligence service was for the purpose of obtaining all types of information including economic, industrial, financial and political that might be of interest to the various departments and agencies of the Federal Government. It was agreed, however, that this service would emphasize the gathering of intelligence matters pertaining to individuals and corporations throughout the Western Hemisphere who were acting in a manner detrimental to the best interests of the United States in connection with the war then being waged in Europe.

There is attached hereto a historical summary and critique concerning the Bureau's activities in Latin America which summary includes the formation of SIC, its activities, finances, selection of personnel, etc.

#### B. Coverage by Years

The following list indicates the peak coverage, by number of Special Agents and Special Employees, for each year that the FBI was in the foreign intelligence field. The Special Agents and Special Employees listed below were, naturally, supported in the field by the required

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number of clerical and technical employees:

Year	Employed
December, 1941	73
December, 1942	207
October, 1943	360
January, 1944	223
September, 1945	193
January, 1946	140
January, 1947	73

Subsequent to the withdrawal of the Bureau from Foreign Intelligence work in early, 1947, the Bureau has maintained legal Attaches as Police Liaison Agents at the United States Embassies in Mexico, Cuba, Brazil, Spain, France and England. A Police Liaison Agent has also been maintained in Ottawa, Canada with offices in the Royal Canadian Mounted Police headquarters.

C. Yearly Expenditures

The following is a tabulation of fiscal year expenditures covering the Bureau's activity in the Foreign Intelligence field in the Western Hemisphere:

Fiscal Year	Expenditures
1941-1942	\$ 900,000
1943	2,900,000
1944	3,525,000
1945	2,925,000
1946	2,946,357
1947 (to 5-1-47)	<u>1,807,010</u>
TOTAL	15,103,367

D. Average Postwar Year - 1946

In January, 1946, the number of Special Agents and Special Employees utilized in Foreign Intelligence work by the Bureau had decreased to 140 from a total of 193 in September, 1945. This number was further decreased to 73 by the end of 1946. The monthly

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average number of Special Agents and Special employees on assignment during 1946 was 108. The expenditures to support Bureau coverage in Latin America during 1946 was \$2,946,357. The average amount spent on Bureau coverage in Latin America for the six and one half year period was slightly less than \$3,000,000 per year.

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**III. Armed Forces Unification Act (Popularly Known as "National Security Act")**

A. The Armed Forces Unification Act or the "National Security Act of 1947" pertaining to the Central Intelligence Agency, as set out in Public Law No. 253, establishes under the National Security Council a Central Intelligence Agency, and pertains to the Administrative Officials and Representatives thereof. The same Act concerns the termination of employees of the Central Intelligence Agency whose employment might be considered to be against the best interests of the United States. Further details of the same Act coordinates the intelligence activities of the several Government Departments and Agencies in the interest of National Security and states that it shall be the duty of the Central Intelligence Agency, under the direction of the National Security Council, to:

1. Advise the National Security Council in matters concerning such intelligence activities of the Government departments and agencies as relate to national security;
2. Make recommendations to the National Security Council for the coordination of such intelligence activities of the departments and agencies of the Government as relate to the national security;
3. Correlate and evaluate intelligence relating to the national security, and provide for the appropriate dissemination of such intelligence within the Government using where appropriate existing agencies and facilities; Provided, That the Agency shall have no police, subpoena, law-enforcement powers, or internal-security functions; Provided further, That the departments and other agencies of the Government shall continue to collect, evaluate, correlate, and disseminate departmental intelligence; And provided further, That the Director of the Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure;
4. Perform, for the benefit of the existing intelligence agencies, such additional services of common concern as the National Security Council determines can be more efficiently accomplished centrally;
5. Perform such other functions and duties related to intelligence affecting the national security as the National Security Council may from time to time direct.

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Subsection (e) of the Section pertaining to the Central Intelligence Agency reflects that the intelligence of certain departments and Agencies of the Government, as recommended by the National Security Council and approved by the President, except as provided, shall be open to the inspection of the Director of Central Intelligence. It is also stated that such intelligence as relates to the national security and is possessed by such departments and other agencies of the Government, except as provided, shall be made available to the Director of Central Intelligence for correlation, evaluation, and dissemination: PROVIDED, HOWEVER, that upon the written request of the Director of Central Intelligence, the Director of the Federal Bureau of Investigation shall make available to the Director of Central Intelligence such information for correlation, evaluation and dissemination as may be essential to the national security.

The Act further provides that the personnel, property, and records of the Central Intelligence Group are transferred to the Central Intelligence Agency, furthermore, that the Central Intelligence Group shall cease to exist. Appropriations, unexpended balances, allocations and other funds were also transferred accordingly.

A copy of the Act in question is attached for possible reference.

2. Further Legislation Affecting CIA That Was Not Passed By The 80th Congress

Bill No. S.2688 providing for the Administration of the Central Intelligence Agency, established pursuant to Section 1-2, Armed Forces Unification Act of 1947, was set up merely for the purpose of granting to CIA the authorities necessary for that Agency's proper administration. The Bill largely deals with procurement, travel allowances and related expenses, general authorities and methods of expenditures of appropriated funds. Further, it protected the confidential nature of the Agency's functions and made provisions for the internal administration of the Agency. The entire Bill may be boiled down to more or less "granting independency to CIA from an administrative standpoint." This particular bill passed the Senate on June 19, 1948, however, failed to pass the House, therefore being shelved.

A copy of the said Bill is hereby attached for possible reference purposes.

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V. FBI Plan for United States Secret World-wide Intelligence Coverage

Secret world-wide intelligence coverage for the benefit of the United States Government must have as its primary objectives the providing to the executive branches of the government basic data on a world-wide scale upon which plans may be formulated and action taken, and the insuring of internal security from the threat of infiltrating foreign agents, ideologies, and military conquests.

The Federal Bureau of Investigation had in operation in the Western Hemisphere an intelligence plan based on simplicity of structure and flexibility of operations which functioned efficiently, secretly, and economically from prior to Pearl Harbor until shortly after the end of 1946. This intelligence plan proved its adaptability to world-wide coverage by the effectiveness of its operation in the Western Hemisphere.

The FBI Plan

The FBI plan provided for the joint operation in every country of the world of the Office of Military Intelligence, the Office of Naval Intelligence, and the Federal Bureau of Investigation, each as a specialist in its own field and able to operate without a duplication of effort, but closely correlating their operations to insure complete coverage.

The FBI plan provided for the continuance in operation of the same operational committee as originally set up by the President, which was composed by the Directors of Military Intelligence, Naval Intelligence and the Federal Bureau of Investigation with the addition of an Assistant Secretary of State. A committee composed of the Secretaries of State, War and Navy and the Attorney General was recommended to control basic policies.

A unit for evaluation and analysis was to have been established in the State Department to which the three operating agencies would furnish intelligence data for appropriate review, analysis, and utilization in international matters. It was pointed out that the Offices of Strategic Services would no longer be necessary, and their functions were to be discontinued except in so far as the State Department would take over the evaluation and analysis functions.

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### Facility of Operation

The program proposed by the Bureau, and which was in operation in the Western Hemisphere, had proved its effectiveness, required no elaborate superstructure and the interested agencies had available trained personnel and operating facilities for recruiting, training, and dispatching additional personnel. The plan, consequently, could have been placed in operation by the President extending the authority heretofore given to the Directors of Military and Naval Intelligence and the Federal Bureau of Investigation for operation in the Western Hemisphere to operate on a world-wide basis.

This plan produced in the Western Hemisphere a maximum amount of information with a minimum of operating personnel and expense, and did not result in any embarrassment whatsoever to the United States Government. Its secrecy was assured through the dissemination of the operations among the already existing government agencies which had previously operated successfully for a long period in their respective fields.

### Points for Consideration

Foreign and domestic civil intelligence are inseparable and constitute one field of operation. The fact that the Communist movement originated in Russia, but operates in the United States and other countries is an outstanding example. To follow these organizations, access must be had to their origin and headquarters in foreign countries, as well as to their activities in the United States. Every major espionage service has operated on a world-wide basis [redacted]

[redacted] In order to cope with the activities of various subversive agents in the United States with speed and dispatch, it is evident that their activities must be followed throughout the various countries by one intelligence agency of the United States Government. The theory that police work and intelligence coverage cannot be combined has been entirely dispelled. Police arrests under modern police practice is only one of the important functions of the police agency. All police work specifically involves the gathering of information in the nature of intelligence. Extensive intelligence coverage must necessarily precede the arrest of the enemy agent in the United States, and it is not possible to separate the

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gathering of intelligence from police functions in view of the numerous criminal statutes such as those relating to espionage and sabotage which must be enforced by police action although directly concerned with intelligence. One of the major factors in the control of subversive activities in the Western Hemisphere during the war was the coordination of efforts of the various police organizations throughout the United States and Latin America through the Federal Bureau of Investigation.

A hazard in intelligence operation is the possibility of a charge being made that the organization is a "Gestapo". Also a police agency which engages in intelligence operation may be called a "Political Police". Both charges are obnoxious to American citizens. The Federal Bureau of Investigation throughout the war engaged in both police and intelligence activities, and its record of protecting civil liberties has been highly praised even by the American Civil Liberties Union.

Roger Baldwin, Director of the American Civil Liberties Union, in October, 1941, after a trip around the country checking on investigations by the FBI of the flood of subversive complaints then being received, commented to the Director of the FBI, "I have attempted to find out as I have come across the country just what complaints there are concerning those very difficult investigations of what are regarded subversive opinions and activities. I find that your local agents are keenly aware of the delicacy of these inquiries and faithfully reflect the Bureau's policies".

Morris Ernst, Counsel for the Union, stated in a letter, "I am writing to you to let you know that I have yet to hear of a single proven case of violation of the civil liberties (by the FBI). This is close to a miracle".

Peace time operations of a Foreign Intelligence Service will involve many delicate problems requiring tact, finesse, and diplomacy as contrasted to war time operations which may be on a more or less open and forceful basis.

Estimated Expenditures for World-wide  
Intelligence Coverage

On April 1, 1946, a discussion was held with the Administrative Division of the Bureau, and it was estimated that the amount of \$8,800,000 would be required to cover the first fiscal year's operations in the event

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the Bureau took over world-wide intelligence. This estimated expenditure of \$8,800,000 was broken down as follows:

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S.I.S.

SALARIES

Cost of Government

1 Agent in Charge	C\$7,700	\$ 7,700	
3 Inspectors	6,650	19,950	
1 Assistant Inspector	6,650	6,650	
35 Supervisors	5,180	181,300	
150 Cryptographers	3,100	465,000	
40 Translators	3,000	120,000	
20 Code Clerks	2,500	50,000	
35 Radio Technicians	3,500	122,500	
<u>72 Clerks</u>	<u>2,100</u>	<u>147,000</u>	
<u>355</u>		<u>C\$1,120,100</u>	
Pay Raise		<u>207,219</u>	
Total Cost of Government			C\$1,327,319

Field

65 Agents in Charge	C\$6,650	\$ 432,250	
300 Agents	5,180	1,554,000	
185 Clerks	2,500	462,500	
<u>50 Technicians</u>	<u>3,500</u>	<u>175,000</u>	
<u>600</u>		<u>C\$2,623,750</u>	
Pay Raise		<u>485,393</u>	
Total Field			\$3,109,143

Total Personal Services - 955 Employees \$4,436,462

OTHER EXPENSES

Living and Quarters Allowances	\$ 900,000	
Miscellaneous Agent Expenses	2,190,000	
Miscellaneous Clerical Expenses	235,000	
Equipment for Offices	200,000	
Radio and Technical Equipment	488,533	
Revolving Fund (Advances)	<u>350,000</u>	
Total Other Expenses		\$4,363,533

TOTAL - ALL EXPENSES \$3,800,000

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It is contemplated that at this time it would be necessary to revise the forgoing figures to include even more recent pay raises to Federal employees.

In connection with the estimated expenditures, the Director of the FBI on February 12, 1947, testified before the Sub-committee on Appropriations of the House of Representatives, and at that time, in response to a query, estimated that \$15,000,000 would be required for world-wide intelligence coverage with a staff of approximately 1,200 employees. These figures were contrasted with a CIA estimate made at approximately the same time that the annual cost would be \$40,000,000 and a staff of approximately 3,000 employees.

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SIS STATISTICSTable 1 - Persons Identified, Apprehended, Prosecuted, etc.

	<u>Fiscal Years 1941 - 1946</u>	<u>First Three Quarters Fiscal Year 1947</u>	<u>TOTAL July 1, 1940 through March 31, 1947</u>
<u><b>Espionage Agents</b></u>			
Identified .....	879	8	887
Apprehended .....	382	7	389
Prosecuted .....	105 convictions 1,340 yrs., 6 mos. sentence 1 death sentence 1 interned	-	105 convictions 1,340 yrs., 6 mos. sentence 1 death sentence 1 interned
<u><b>Propaganda Agents</b></u>			
Identified .....	281	-	281
Apprehended .....	60	-	60
Prosecuted .....	1 conviction 1 yr. sentence 1 interned	-	1 conviction 1 yr. sentence 1 interned
<u><b>Sabotage Agents</b></u>			
Identified .....	30	-	30
Apprehended .....	20	-	20
Prosecuted .....	-	-	-
<u><b>Smugglers of Strategic War Material</b></u>			
Identified .....	222	-	222
Apprehended .....	75	-	75
Prosecuted .....	11 convictions 2 yrs. sentence 1 indefinite sentence 2 interned \$10,404 fines	-	11 convictions 2 yrs. sentence 1 indefinite sentence 2 interned \$10,404 fines
<u><b>Other Foreign Agents</b></u>			
Identified .....	93	4	97
Apprehended .....	33	-	33
Prosecuted .....	1 conviction 2 yrs. sentence	-	1 conviction 2 yrs. sentence
<u><b>Apprehensions, Convictions, Sentences, of Other Persons Under Laws of Local Country .....</b></u>			
	91 apprehensions 35 convictions 30 yrs., 1 mo. sentence 1 interned \$700 fine	-	91 apprehensions 35 convictions 30 yrs., 1 mo. sentence 1 interned \$700 fine
<u><b>Aliens Moved from Strategic Areas ...</b></u>			
Aliens Interned or Religated Locally.	2,172	-	2,172
Aliens Deported or Expelled .....	5,811	82	5,893
Natives Interned or Religated Locally	80	-	80
United States Fugitives Located .....	157	114	271
Firms or Persons Placed on List of Blocked Nationals .....	1,545	-	1,545
Investigations Conducted at the Request of the U. S. Government Agencies .....	1,584	116	1,700
Investigations Conducted for other than U. S. Government Agencies ....	20	-	20

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SIS STATISTICSTable 2 - Radio Stations Located and Radio Equipment Confiscated

	Fiscal Years 1941 - 1946		First Three Quarters Fiscal Year 1947		TOTAL July 1, 1940 through March 31, 1947	
	Number	Value	Number	Value	Number	Value
Clandestine Radio Stations						
Located .....	24	-	-	-	24	-
Clandestine Radio Transmitters and Related Equipment						
Confiscated .....	30 transmitters	\$7,155(1)	-	-	30 transmitters	\$7,155(1)
	12 radio tubes	\$200	-	-	12 radio tubes	\$200
Clandestine Radio Receiving Sets						
Confiscated .....	18	\$2,818	-	-	18	\$2,818

(1) Does not include value of one transmitter recovered during the 1945 fiscal year.

April 14, 1947

SIS STATISTICS

Table 3 - Other Material Recovered or Confiscated

	Fiscal Years 1941 - 1946		First Three Quarters Fiscal Year 1947		TOTAL July 1, 1940 through March 31, 1947	
	Quantity	Value	Quantity	Value	Quantity	Value
Currency .....	-	\$260,154	-	\$ 5,000	-	\$265,154
Precious Stones .....	(1)	4,588	-	-	(1)	4,588
Diamonds .....	18	32,600	-	-	18	32,600
Platinum and Industrial Diamonds .....	(1)	84,466	-	-	(1)	84,466
Platinum .....	119.8 lbs.	206,031	-	-	119.8 lbs.	206,031
Silver .....	220 lbs.	2,300	-	-	220 lbs.	2,300
Mercury .....	(1)	347,000	-	-	(1)	347,000
Metal Drills .....	92.4 lbs.	5,000	-	-	92.4 lbs.	5,000
Copper Transmission Wire .....	1	100	-	-	1	100
Welding Rod Wire .....	1	20	-	-	1	20
Radio Tubes .....	258	230	-	-	258	230
Pistol .....	2	150	-	-	2	150
Gas Gun .....	1	25	-	-	1	25
Auto Wheels, Tires and Accessories .....	4	200	-	-	4	200
Tires .....	53	3,767	10	750	63	4,517
Inner Tubes .....	4	30	3	40	7	70
Sparkplugs .....	-	-	1,000	810	1,000	810
Rubber Raft with Oars, Life Jacket and Trench Shovel .....	1	(1)	-	-	1	(1)
Rubber .....	51,959 lbs.	27,888	188 lbs.	71	52,147 lbs.	27,959
Tarpaulins .....	5	1,000	-	-	5	1,000
Sacks .....	897	448	-	-	897	448
Diplomatic Codes .....	1	(1)	-	-	1	(1)
Code Books .....	3	(1)	-	-	3	(1)
Pages of Code .....	241	(1)	-	-	241	(1)
Cotton Balls for Secret Ink .....	6	(1)	-	-	6	(1)
Paper Clips for Secret Ink .....	8	(1)	-	-	8	(1)
Microfilms of Code, Instructions, Blueprints, etc. ....	9	(1)	-	-	9	(1)
Miscellaneous Microphotos .....	30	(1)	-	-	30	(1)
Films and Film Negatives .....	3,177	(1)	50	120	3,227	120(3)
Cameras and Photographic Equipment .....	46	10,200	-	-	46	10,200
Propaganda Books and Magazines .....	87	50	-	-	87	50
Books .....	45	20	-	-	45	20
Pharmaceutical Goods .....	(1)	100,000	-	-	(1)	100,000
Urotropine (a drug) .....	110 lbs.	150	-	-	110 lbs.	150
Insulin .....	2.2 lbs.	1,800	-	-	2.2 lbs.	1,800
Aspirin .....	246.4 lbs.	215	-	-	246.4 lbs.	215
Sulfathiazole .....	249.7 lbs.	1,800	-	-	249.7 lbs.	1,800
Sodium Salicylate .....	121 lbs.	140	-	-	121 lbs.	140
Nicotinic Acid .....	98.6 lbs.	1,300	-	-	98.6 lbs.	1,300
Methane .....	-	-	18 boxes	474	18 boxes	474
Acetylene .....	-	-	136.7 lbs.	140	136.7 lbs.	140
Shellac .....	25,000 lbs.	12,500	-	-	25,000 lbs.	12,500
Tagua Buttons .....	6 sacks(2)	3,092	-	-	6 sacks(2)	3,092
Bonds .....	-	3,000	-	-	-	3,000
Passport .....	-	-	1	(1)	1	(1)
Phoenix Safe .....	1	100	-	-	1	100
Automobiles .....	-	-	15	34,600	15	34,600
Motorcycle .....	1	575	-	-	1	575
Typewriter .....	4	280	-	-	4	280
Gas Pumps .....	2	45	-	-	2	45
Land .....	(1)	600	-	-	(1)	600
Building .....	1	1,153	-	-	1	1,153
Concealed Miscellaneous Property of Black-listed Firms .....	(1)	12,000	-	-	(1)	12,000
Clothing .....	-	295	-	-	-	295
Miscellaneous Property .....	-	339,924	-	4,000	-	343,924
<b>TOTAL .....</b>		<b>\$1,465,236</b>		<b>\$46,005</b>		<b>\$1,511,241</b>

(1) Not given.

(2) Does not include quantity of tagua buttons recovered for the 1941 - 1944 fiscal years.

(3) Does not include value of films and film negatives recovered during the 1944 fiscal year.

HISTORY OF THE SIS

May 22, 1947

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## HISTORICAL SUMMARY AND CRITIQUE OF SIS OPERATIONS

### I. ORIGIN AND BACKGROUND

Early in May, 1940, conversations took place between the Director of the Federal Bureau of Investigation and Assistant Secretary of State, A. A. Berle, with regard to the desirability of setting up a Special Intelligence Service under the auspices of the FBI to gather secret intelligence in connection with subversive activities throughout the Western Hemisphere, excluding Panama. These conversations resulted in further conferences and discussions between the Director of the FBI, Mr. Berle and the respective heads of ONI and G-2. Following agreement between these officials with regard to the establishment of such a Service, its scope, jurisdiction and activities, Mr. Berle undertook to obtain from the President of the United States a specific directive authorizing a Special Intelligence Service to operate in the Western Hemisphere to be established and operated by the Director of the Federal Bureau of Investigation. Mr. Berle succeeded in securing such a Presidential Directive and this was set forth in a memorandum signed by Mr. Berle, dated June 24, 1940, addressed to General Sherman Miles, Assistant Chief of Staff in charge of G-2, Admiral Walter S. Anderson, Director of ONI and Mr. John Edgar Hoover, Director of the FBI. The memorandum in question recorded that Mr. Berle had talked personally with the President in the presence of General Miles and had on this occasion requested specific advice as to the President's wishes concerning the formation of a unit for foreign intelligence work. The memorandum stated, "the President said that he wished the field to be divided. The FBI should be responsible for foreign intelligence work in the Western Hemisphere on the request of the State Department. The existing Military Intelligence and Naval Intelligence Branches should cover the rest of the world, as and when necessity arises." The memorandum continued that "it was understood that the proposed additional foreign intelligence work should not supersede any existing work now being done and that the FBI might be called in by the State Department on special assignments outside the American Hemisphere under special circumstances...."

Based upon the above Presidential Directive and a specific request from the State Department (with full agreement on the part of the Military Intelligence Division of the War Department and the Office of Naval Intelligence), the Director instructed in June of 1940 that a Special Intelligence Service be established within the FBI for secret operations in the intelligence field in Latin America. The late Assistant Director P. E. Foxworth was appointed

by the Director to be in charge of the Special Intelligence Service and its work. It was agreed among the officials of the interested agencies and departments of the Government that the FBI's Special Intelligence Service would operate throughout Latin America (with the exception of Panama which would remain under exclusive Army jurisdiction) for the purpose of obtaining all types of information including economic, industrial, financial and political that might be of interest to the various departments and agencies of the Federal Government. It was also agreed however that this Service would emphasize in its operations abroad the obtaining of data relating to the activities, identities and the operations of individuals and corporations throughout the Western Hemisphere who were acting in a manner detrimental to the best interests of the United States in connection with the war then being waged in Europe or otherwise.

Under appropriate instructions from the Director, Mr. Foxworth proceeded immediately to establish an appropriate supervisory staff at the Seat of Government in Washington and the Special Intelligence Service, which will be hereinafter referred to as SIS, immediately began recruiting and dispatching to foreign countries in Latin America FBI Agents for the purpose of carrying out the above described mandate.

## II. EARLY ORGANIZATION AND TECHNIQUES EMPLOYED

Immediately following the formation of SIS at the Seat of Government, the Director designated Special Agent J. E. Lawler, who was at that time Special Agent in Charge of the Richmond Field Division, as Number 1 man under Mr. Foxworth. It was contemplated in the beginning that most of the assignments would be under cover and that FBI Agents proceeding to South America for investigative purposes would be able to utilize the pretext of representing some American commercial firm. It should be noted that no arrangements were perfected with the State Department or otherwise for the assignment of FBI Agents in American Embassies and Consulates abroad, it being contemplated that the entire arrangement could best be handled on the basis of undercover Agents being sent out from Washington with suitable pretext, all of whom would report directly back to Washington the information obtained by them. For the purpose of facilitating this type of operation the Bureau established during August of 1940 offices at Room 4332, RCA Building, 30 Rockefeller Plaza, New York City, under the fictitious name "Importers and Exporters Service Company." The address was later moved to Room 3144, 30 Rockefeller Plaza, New York City. This fictitious firm was ostensibly engaging in the business of securing information for clients (also fictitious) as to the possibilities of foreign trade in Latin America either with regard to the importation or exportation of products to and from the United States. Through these arrangements a number of Agents were assigned for clandestine work in Latin America, principally in the beginning in Cuba and Mexico. The first



Agents sent into Cuba were utilizing the cover of "Newsweek", a news magazine partially owned and controlled by Vincent Astor of New York City, whose cooperation had been secured. It was determined almost immediately that the fictitious firm, described above, would not serve effectively as a cover or pretext for actual operations in Latin America inasmuch as the company not actually being engaged in any legitimate business could not be expected to maintain the deception for any appreciable length of time should Agents travelling in Latin America actually begin contacting Latin American business interests under the pretext of their cover. The fictitious firm was continued solely as a cover or front for the New York Office in the RCA Building until June of 1941, at which time it was discontinued due to the fact that experience had shown the firm ruse to be more of a nuisance and detriment than an advantage. This was particularly true with regard to the embarrassment caused by a constant stream of salesmen, business investigators of various types, advertising solicitors, etc. Following discontinuance of the use of the fictitious firm name, the Bureau continued to operate the Office in the RCA Building in New York without any cover or front whatsoever for the purpose of handling all necessary arrangements in connection with assigning and maintaining appropriate covers to various undercover FBI Agents. It was determined that the Office could be maintained much more efficiently and effectively without any spurious firm name on the door and without offering to anyone any explanation as to the identity, etc. of the occupants. The Office was finally discontinued altogether in November, 1945, as an economy move in view of the then extreme uncertainty as to the Bureau's future in foreign intelligence work. Such remaining work as was necessary in connection with the operations of this Office was handled directly from within the regular New York Field Division in the United States Court House, Foley Square, New York.

During the major portion of the time that the New York SIS Office in the RCA Building in New York was functioning under the spurious firm name of the "Importers and Exporters Service Company" no Agent was specifically assigned to the maintenance of this particular Office although it was frequently visited by Agents and Officials of the Bureau from Washington. A clerical employee was of course on constant duty. For a comparatively short period in late 1940 and early 1941, Special Agent in Charge E. A. Soucy maintained more or less direct control of the New York SIS Office, he being succeeded during 1941 by former Special Agent Arthur M. Thurston, who continued in charge of this Office until November, 1942, when the latter was succeeded by former Special Agent Jerome Doyle. Doyle continued in this capacity until his resignation in July, 1945. The Office remained under the supervision, from that time until it was closed, of Special Agent Lawrence Quinn, who had for a number of years assisted former Special Agent Doyle in the operation of the Office and the handling of its cover arrangement work.

In September, 1940, arrangements were perfected whereby the late Assistant Director P. E. Foxworth travelled throughout Latin America ostensibly as a member of an Economic Commission engaged in conducting a survey of Latin American conditions for the Coordinator of Commercial and Cultural Relations of Latin America, Mr. Nelson H. Rockefeller. During this trip he contacted such representatives of SIS who had already been dispatched to Latin America for the purpose of consulting with them and facilitating their operations. He was enabled upon his return to furnish considerable reports as to conditions, etc. valuable from an intelligence point of view. He was also, of course, enabled to advise the Bureau with regard to certain changes and new procedures that proved advantageous in connection with future SIS operations in the Western Hemisphere. During his absence from Washington, Special Agent J. K. Lawler, his Number 1 man, acted in charge of SIS until October of 1940, at which time Mr. Lawler was succeeded by former Special Agent in Charge Spencer J. Drayton, who continued in this capacity until Mr. Foxworth's return in February, 1941.

There were as of January 1, 1941, fourteen Bureau employees either stationed or travelling in Latin America on intelligence work in addition to Mr. Foxworth. The latter includes former Special Agent in Charge Gus Jones, who had been spending the major portion of his time in Mexico since September, 1939, but who was formally assigned to Mexico City in September, 1940, with permission to use the facilities of the United States Embassy there, although he was not formally attached to the Embassy, with specific title, etc. until later. The above also includes former Special Agent E. K. Thompson, who had been prior to the advent of SIS engaged in police training activities in Brazil and Bogota, Colombia, as an open, accredited representative of the Bureau. He was at the time of the formation of SIS engaged in conducting certain training in counter-intelligence activities for [redacted]

[redacted] and was in connection with his assignment submitting certain intelligence reports concerning conditions, etc. in Colombia.

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In the beginning, Agents selected for these Latin American assignments were brought into Washington from the Domestic Field and furnished brief training consisting of being as thoroughly briefed as was practicable with regard to the country to which they were being assigned and the work and information expected from them. Certain material was obtained for briefing purposes from the files of the Army, Navy, State Department and the Treasury Department. The Agents were also required to study available literature, etc. concerning the country to which they were proceeding. It was not as a rule possible to brief the Agents with regard to subversive activities and conditions of this kind for the reason that such information was not available in the United States. It should be remembered in passing that there had arisen in the United States

considerable apprehension with regard to the extent of Nazi penetration and Nazi activities throughout Latin America. (This was true to a lesser extent with regard to Italian Fascist, Spanish Falangist and Communist activities.) Much publicity had occurred, practically all of which was couched in alarmist phraseology without any specific or accurate information. The Bureau discovered upon undertaking the program that there was a complete absence of any accurate data or details concerning the true extent or nature of subversive activities, current or potential, in Latin America. It was, of course, true that the Bureau itself had accumulated certain specific leads and data requiring investigation from its handling of intelligence work in the United States. This was true with regard to espionage leads growing out of the DuCase and leads arising from prior FBI investigation of Nazi and Falangist activities in the United States. The Agents were thoroughly briefed, of course, concerning these matters in so far as information was available.

In addition to the above described briefing, insofar as was practicable, Agents undertaking these foreign assignments were from the outset trained with the cooperation of the FBI Technical Laboratory in the use of secret inks and codes. The earliest codes used to any appreciable extent consisted of so-called "Y" code designed to permit very brief messages to be concealed within the context of normal-length cryptic letters. In the beginning, of course, efforts were made to secure the services of Special Agents who had some knowledge of the language of the country to which they were assigned, however, this not always being possible, some early language training was afforded the Agents by permitting them to study at commercial language schools (usually Berlitz) while undergoing training with their respective cover companies. In the beginning, Agents sent out undercover were furnished very little training as to their covers, this being due to the fact that the cover companies themselves were not inclined to undertake at this time long and sometimes expensive training programs for the individual Agents being assigned under the particular cover involved.

A post office box located in New York City was assigned to each Agent as the address to which he would correspond by mail and furnish the intelligence information obtained by him. It should be noted, of course, that the United States was not at this time involved in war and some latitude was permitted with regard to the use of "double talk" and cryptic letters of the kind designed to convey a special meaning in the way of information despite the fact that no specific code was used. Some difficulty was experienced with these letters despite the fact that the USA and the various Latin American countries involved had no censorship regulations at the time, the difficulty being caused by the British, who were at war and who were maintaining a very close and active watch with

regard to world-wide mail and other communications channels. In the event the British did obtain access to the contents of such a letter while same was transiting Trinidad or some other British controlled point, they would upon occasion become suspicious of the writer and undertake to determine the bona fides thereof.

As might be expected due to conditions and circumstances over which the Bureau had absolutely no control, the volume of intelligence information from each Agent was in the beginning and for some time thereafter quite small and of little real value. The Agents were, of course, more or less completely unfamiliar with the countries in which they were trying to operate and usually very deficient with regard to the use of the language thereof. The chance of worthwhile accomplishment in the way of local orientation and the establishment of worthwhile informants and sources of information naturally required considerable time. Meanwhile, of course, the Agent, who was usually alone in the particular country to which he had been assigned, was possessed of a very poor pretext for clandestine operations and the widening of his circle of acquaintances. He was possessed of a very poor inadequate and extremely slow means of communication. (They were authorized to use cable but only in cases of extreme emergency due to the utter impracticability of a satisfactory code for commercial cable purposes.) The letter communication from the Agent to the Bureau frequently required weeks and even longer in the event the British or some other interested intelligence service delayed the mail for interception purposes. Even when a communication came through it contained only small isolated bits of uncorrelated and uncoordinated information. (The "Y" code ordinarily required approximately three large pages of close typing in the guise of a normal letter to encipher approximately one line of information). The secret ink was not much more satisfactory inasmuch as the Bureau (including the Technical Laboratory) was in an experimental stage with regard to the use of secret ink and proper reagents. Considerable experience with regard to actual use was required to attain any appreciable degree of improvement and perfection. The isolated and uncorrelated bits of information sent in by the various undercover representatives was when received at the Seat of Government transcribed into an appropriate letter and disseminated to the State Department, as well as to MID and ONI. These Agencies would ordinarily take no action with regard to such transmissions from the Bureau in so far as can be determined except invariably the State Department and frequently MID and ONI would distribute the information through their safe diplomatic means of communication to their respective representatives safely and comfortably established within the United States Diplomatic Mission in the country to which the information related and from whence it had emanated. The almost invariable result would be a diplomatic dispatch or cable reply from the particular diplomatic office involved denying and denouncing the authenticity of the original information supplied by the



undercover Agent.

The Bureau learned through very difficult experience that virtually any information referred to a diplomatic officer of the State Department, the Army or the Navy in practically any foreign country for comment from Washington would invariably result in denunciations of the information as well as its source unless the particular diplomatic officer had previously received and reported from sources of his own similar information. The most unfortunate aspect of the matter resulted from the proclivity of these diplomatic officers to immediately attempt by their own investigative means to ascertain the identity of the clandestine source of the material in question. This, of course, resulted in active efforts on the part of the various Embassies in Latin America to uncover Bureau undercover Agents. This became increasingly embarrassing as the volume of material from each country increased inasmuch as the regularly constituted and authenticated diplomatic officers ordinarily considered these clandestine reports as being a reflection upon their own efforts in the intelligence field.

While it would be a serious mistake to attempt to defend the authenticity and accuracy of these early intelligence reports from undercover FBI representatives, (the pioneer Agents could in reality perform little except report rumors, etc. coming to their attention without any possibility of actual verification), the reports were at least as good as the ordinary transmissions from the United States diplomatic mission in the particular country involved, particularly in the specialized field of subversive activities.

Obviously there was needed at this time much closer liaison and coordination between the FBI representatives serving abroad and the regular diplomatic missions assigned in the same countries. It was, however, impossible to effect this procedure until much later due to the extreme reluctance of the State Department and its Ambassadors abroad to have FBI Agents stationed in the respective Embassies and Consulates under diplomatic cover. It was obviously impossible to have FBI undercover operatives themselves maintain personal contact and liaison with the various Embassies and diplomatic missions abroad. This apparent need was brought to the attention of the Bureau by Mr. Foxworth upon his return from the above described survey in Latin America. Thereafter on April 17, 1941, the Bureau attempted through a conference with Mr. Berle of the State Department to arrange the assignment of a limited number of Bureau SIS representatives under diplomatic cover in the United States Embassies and Consulates abroad.

Mr. Berle advised frankly that he realized the need for this procedure and would attempt to arrange same. He was, however, frank in stating that he anticipated considerable objection and opposition from other quarters within the State Department, particularly the Foreign Service both in Washington and abroad.

Shortly following the return of Mr. Foxworth from the above mentioned survey, he was assigned to be in charge of the National Defense Division (later renamed the Security Division), and SIS, as a part of such Division, was placed directly under the supervision of former Special Agent in Charge Spencer J. Drayton, who as indicated above had been acting for some months as Mr. Foxworth's Number 1 man. Former Special Agent W. A. Collier was designated as Number 1 man to Mr. Drayton. Shortly thereafter Mr. Spruille Braden, the then United States Ambassador to Colombia, took the initiative in requesting from the State Department the assignment of a Bureau Agent to the American Embassy in Bogota for the purpose of handling subversive activities investigations and the coordination of intelligence activities in Colombia during the emergency. This assignment which was effected in April, 1941, was in reality the forerunner of what eventually became the Bureau's "Legal Attache system" consisting of networks of Agents and employees in each country in Latin America operating under a Bureau Agent assigned in each United States Embassy with the title of "Legal Attache". This was a long time in coming however and in the beginning no effort was made to establish the Bureau Agent sent to Bogota, Colombia for service in the Embassy as the administrative officer in charge of Bureau activities in the country of Colombia. He was instructed to render such assistance as might be possible and practicable to the undercover man, particularly in regard to the handling of their correspondence with the Bureau through the pouch.

During the Spring and Summer of 1941, the recruitment of Agents for service in Latin America was expanded considerably and pursuant to State Department approval the Bureau started working toward a goal of having 250 Agents in Latin America by November of 1942. It should be noted that in addition to Bureau Agents, efforts had been made from the outset to employ special employees for the purpose of carrying on intelligence work in Latin America. In the latter connection, efforts were, of course, made to employ individuals from other walks of life who had extensive experience in Latin America and knowledge as to the language. A number of such special employees were employed and furnished the necessary instruction and training with regard to the matter of forwarding communications, etc. to the Bureau through an appropriate drop box in New York City. Considerable information of value from an intelligence viewpoint was received from a number of these special employees although as a general rule it was discovered that FBI Agents even with their limited knowledge of Latin America and their limited knowledge of the language involved still offered much more promise with regard to eventual success and efficiency in this type of operation than did special employees hired from other walks of life. It should not be overlooked however that some of the special employees became exceedingly adept and constituted extremely valuable SIS employees. A number of these remained with the Bureau in the SIS Field serving in increasingly efficient capacities until the end of the war.

During the summer of 1941, Mr. Drayton was replaced by former Special Agent in Charge Frank Holloman as Chief of the SIS Division. It had by this time been discovered that the increased tempo with regard to the recruitment of Agents for service in Latin America would require formal language training on a somewhat wholesale basis inasmuch as the number of Bureau Agents in the Domestic Field with any reasonable degree of knowledge of either Spanish or Portuguese was quite limited. For this reason, a regular language training school was instituted by the Bureau, being taught by Special Agent Joseph P. Santoiana. This school was in the very beginning conducted by SIS itself, but was during the fall of 1941 transferred under the jurisdiction of the Training Division in order that SIS training could be carried on on the same basis as other Bureau training.

As of July 1, 1941, 26 Special Agents and Special Employees were assigned by the Bureau in Latin America or already underway to their assignments in Latin American countries. During the summer of 1941, it was also possible to secure the assignment of one FBI Agent under diplomatic cover in the United States Embassy in each of the following cities: Santiago, Chile; Rio de Janeiro, Brazil; and Caracas, Venezuela. During the same period, former Special Agent in Charge Gus Jones, who had been serving in Mexico in a somewhat informal capacity, was formally attached to the American Embassy under diplomatic cover. The titles used by these representatives stationed in Embassies abroad varied, some of them being known as Legal Attache, others as Civil Attache and some as just Attache. They were, in effect, serving in the same capacity as undercover representatives except that they were enjoying diplomatic cover and were required to assist the undercover Agents wherever practicable, particularly with regard to handling communications to and from the Bureau through the diplomatic pouch. In addition to the above, there was dispatched to [redacted] during the summer of 1941, an FBI Agent assigned in the open for the purpose of working with the [redacted] in the field of subversive activities. Also, an Agent was assigned openly to [redacted] for the purpose of maintaining appropriate liaison with [redacted]

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As might be expected both the volume and quality of information from Bureau representatives in Latin America had begun to improve markedly. The first Agents sent out in 1940 had by this time begun to become reasonably well oriented and adjusted in Latin America; also, the few scattered Agents assigned in a total of five United States Embassies in Latin America were proving to be of tremendous assistance in connection with the entire SIS program. It will, of course, be realized that the Service was still far from efficient and was in fact still in a strict pioneering and

experimental stage at the time of the Pearl Harbor attack on December 7, 1941. Much of the information being obtained in Latin America, it was later determined, was at that time emanating from "professional informants" who were extremely plentiful and very active in all of the Latin American countries. These "professional informants" were individuals who had discovered through prior dealings with United States Embassy representatives and British representatives that they could earn money by furnishing information of an intelligence nature. Their information was never investigated or checked for accuracy, confirmation, etc. and ordinarily they were shrewd enough to realize quite early in the game that they could increase their earnings and the sale price of their information, the more startling its nature. Bureau Agents working undercover as well as those working under diplomatic cover in the various Embassies could not very well avoid coming in contact with these "professional informants". As a matter of fact, this type of individual in practically all of the Latin American countries had become so enthusiastic with regard to the money to be made from this sort of thing that they engaged in seeking out Americans and British on a somewhat wholesale basis always striving to enlist new clients and new customers for their thriving trade. It required time and experience for Bureau Agents to be able to recognize and deal properly with these "professional informants". The information furnished by these sources was, of course, not always fictitious and, as a matter of fact, the information was frequently based upon considerable truth although almost always colored and somewhat exaggerated. It was also upon occasion manufactured out of whole cloth and all kinds of forgeries, fraudulent enemy codes, etc. were being foisted off not only on Bureau representatives, but also on United States Military Attaches, United States Naval Attaches and other allied intelligence representatives in Latin America, including the British, in return for substantial payments of money.

### III. LATER ORGANIZATION AND IMPROVEMENT OF TECHNIQUE

Under the stimulus provided by the United States' entry into the war, SIS coverage was speeded up immediately and the Bureau began immediately to strive for a goal of 500 Agents assigned in Latin America at the earliest possible moment. There was, of course, complete agreement from the State Department and other interested Government Departments and Agencies concerning this program. The recruitment of Agents from the Domestic Field was accelerated and the training program at the Seat of Government, under the auspices of the Training and Inspection Division, was stepping up in an effort to train and dispatch to Latin America for assignment all available Agents in the shortest possible period of time.

The New York SIS Office, then operating under the supervision of former Special Agent Arthur Thurston, accelerated its work with regard



to obtaining covers for Agents and increased training with regard to the use of these covers.

Immediately following Pearl Harbor, that is, on December 11, 1941, the Bureau dispatched seven additional Agents to Mexico for the purpose of covering vital points in that country such as Baja California and other danger points from the standpoint of possible enemy landing or subversive activities.

During the latter part of December, 1941, two Special Agents of the FBI were assigned indefinitely in a constant travel status throughout Latin America to act as special couriers and expeditors for the purpose of assisting Bureau representatives generally in the carrying on of intelligence work. These men were frequently referred to as SIS Traveling Inspectors although they were not in reality inspectors and did not actually perform ordinary inspection duties. When these two representatives were initially assigned to the above described duties, the Bureau did not have, properly speaking, any establishments whatsoever in Latin America susceptible of an ordinary Bureau inspection. One of the traveling couriers was assigned under cover as a news reporter and the other one was assigned under the cover of a State Department courier.

Arrangements were perfected with the State Department for the use of their cable communications facilities in order that FBI Agents stationed in Embassies abroad could dispatch to the Bureau messages of sufficient length to set out important intelligence data coded in an "X" code developed by the FBI Technical Laboratory for cable use, the cables to be routed to the Bureau through the State Department's Codes and Communications Section.

Also, the Supervisory Staff of the SIS Division at the Seat of Government was increased and the work with regard to supervising, coordinating and disseminating SIS intelligence information to the State and other interested Government Departments was accelerated and improved upon.

At this time, the Bureau's SIS Monograph Project was launched at the Seat of Government, the object being to prepare a monograph on each of the Latin American countries which would contain all of the intelligence data obtained or obtainable by the Bureau along with necessary background information concerning the country involved to make the monograph valuable not only for briefing purposes, but also as the best information available with regard to subversive activities and other intelligence information in each of the Latin American countries.

Efforts were speeded up to obtain State Department assistance and cooperation in connection with the assignment of additional FBI Agents in United States Embassies and Consulates abroad; also efforts to set up and operate an FBI radio network in Latin America were intensified, approval being secured from the State Department and the Colombian Government (through the cooperation and good offices of United States Ambassador Spruille Braden) to establish a radio in the United States Embassy in Bogota, Colombia, for the transmission of intelligence and other information to the Bureau. Subsequently, in April, 1942, this radio station was completed and began transmitting on regular schedules to the Bureau's master station located near Washington, D. C.

During April, 1942, former Special Agent in Charge Frank Holloman was succeeded as Chief of the SIS Division by G. H. Carson, who remained in this capacity until the final closing of the SIS Division and the cessation of its work on May 1, 1947.

Former Special Agent Jerome Doyle, who had during February of 1942, departed on a personal tour of Latin America for the purpose of making brief visits to each country and surveying conditions therein in behalf of the Bureau's program, returned to Washington in April and was immediately assigned to the supervision of operations designed to strengthen and intensify FBI coverage in Latin America, particularly with regard to the use of better covers for the clandestine Agents and better cover training in order to permit them more freedom of action in obtaining intelligence data.

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During April of 1942, an FBI Agent was sent by the Bureau to

During May of 1942, the Bureau, following appropriate clearance from the State Department, began training and dispatching male stenographers to assist FBI Agents assigned in United States Embassies abroad. FBI Agents were dispatched at the same time to Port of Spain, Trinidad and [redacted] for the purpose of maintaining appropriate liaison with [redacted]

[redacted] An Agent was also dispatched to [redacted] at the request of the State Department for the purpose of assisting [redacted] in connection with intelligence matters. It had been agreed that this Agent would enjoy the cooperation of the United States Embassy [redacted] to the extent of being enabled to utilize the diplomatic pouch for the transmission of correspondence to the Bureau.

b7D

During May, 1942, the Bureau finally succeeded in obtaining the necessary clearance for an FBI Agent to be stationed in the United States Embassy in Buenos Aires, Argentina, for the purpose of assisting in intelligence work. Additional radio stations were opened in May and June in Santiago, Chile, Rio de Janeiro, Brazil and Quito, Ecuador. During July, 1942, we assigned Agents as Vice Consuls to seven Vice Consulates in Chile and shortly thereafter two Agents were assigned as Assistant Consuls in two Argentine cities.

Meanwhile, approximately 25 Agents per month were being processed, trained, etc. and dispatched to Latin America in undercover capacity. This intensification of the recruitment of Agents for service in Latin America, most of whom were still going down in undercover capacity, necessitated a thorough canvass of the Domestic Field through the cooperation of the various Special Agents in Charge in quest of appropriate and qualified volunteers for these foreign assignments. While there was never any hard and fast Bureau rule with regard to the use of volunteers only on foreign assignments, efforts were at all times made to utilize volunteers if available. It had been found impracticable and unwise to permit Agents to be accompanied on SIS assignments by wives and families for which reason efforts were made to confine the assignments in so far as possible and practicable to the ranks of unmarried Agents. During this same period, the Bureau was striving to cope with enormous problems and responsibilities in the Domestic Field Service brought about by the sudden onset of war with such attendant problems as greatly increased work in the field of espionage, sabotage, alien enemy control, etc. Every effort was, of course, made in the recruitment of Agents for Foreign Service to avoid at this extremely critical and crucial period disrupting the Domestic Field and veteran Agents with key assignments in the Domestic Field Service were not ordinarily considered available for SIS assignment and, as a matter of fact, most of them did not even volunteer for such assignment for a number of reasons.

Due to the above and other reasons, the overwhelming majority of Agents recruited for SIS Service during this period were young and somewhat limited in FBI Domestic Field investigative experience. Virtually none of the Agents on these assignments had the benefit of any prior administrative and supervisory experience. Every effort was, of course, being made to dispatch the Agents to the areas in Latin America where their services were most needed. However, it was virtually impossible to determine such facts in Washington at the time; also, inasmuch as the overwhelming majority of the men being sent out were still going under cover, it was to some extent necessary to dispatch the Agents as rapidly

as possible to those areas for which covers could be located. The primary need at this time was considered to be the matter of getting the Agents out on assignment, particularly inasmuch as it had been determined that an Agent could not be expected to produce any worthwhile information until after he had served on assignment for a number of months at the very minimum in order to learn local customs, the language, etc.

To illustrate the extremely rapid increase in our coverage during the early months following our entry into the war, it should be noted that as of July 1, 1942, a total of 152 FBI Special Agents and Special Employees, exclusive of all clerical personnel, including radio operators, were assigned abroad on the SIS program.

During this period of such rapid growth, despite an extreme paucity of information as to actual conditions with regard to the amount of necessary work, etc. in each of the various countries which would have permitted more careful and more accurate planning and assignment, it was probably inevitable that mistakes and errors would be made of such a nature as to cause future difficulty.

While the quantity and quality of the intelligence flow from the Bureau coverage in Latin America continued to grow, certain basic difficulties and undesirable factors not only continued with the increase of coverage but actually became much more acute. This was particularly true with regard to the complete lack of coordination within the SIS field as among the various Agents performing work abroad. Each Agent and employee was more or less working on direct assignment and charter from Washington without anything approaching adequate local supervision, coordination and assistance. The Agents who had been assigned in the Embassies were doing the best that could be expected but they could not keep in touch with the constantly increasing number of undercover men to any adequate extent and they, of course, had no authority for local supervision and coordination. The traveling couriers, frequently referred to as traveling inspectors, were extremely limited by the nature of their covers, transportation, etc. in maintaining contact with such a large number of Agents and employees scattered throughout the entire Eastern Hemisphere. The increased volume of intelligence information sent to Washington from our undercover representatives intensified the hostility of the local Embassies and Diplomatic Officers toward these unknown suppliers of information to Washington, such information frequently being either completely unknown and unreported to the regular Diplomatic Missions or in some respects directly contrary to current reports being submitted by such Missions. This condition, of course, resulted in increased activity on the part of United States diplomatic officers (State, War and Navy) stationed abroad toward the end of uncovering, exposing and embarrassing the Bureau's undercover Agents. Unfortunately this was frequently not very difficult to perform inasmuch as the Bureau's undercover representatives were in large measure young, healthy, intelligent, personable Americans

of draft age and obvious military potentiality operating under weak and frequently illogical covers in the Latin American countries despite the fact that their country was at war. In the majority of instances, Bureau representatives were somewhat conspicuous due to circumstances over which they had absolutely no control and virtually all of them were at various times suspect.

Some of the undercover people in order to obtain the confidence of pro-Nazi individuals and thus obtain information from within pro-Nazi ranks were engaging in what appeared to local United States State Department, Military and Naval officials, to be extremely questionable and suspicious activities and associations. Many of the men also became suspected by the British, some legitimately and others apparently solely due to the fact that the British suspected them of being Bureau representatives and desired to expose them by embarrassment and harassment.

The Bureau had become so insistent with regard to the necessity and urgency of FBI Agents being stationed in Embassies and Consulates abroad under diplomatic cover that despite continued reluctance on the part of many diplomatic missions abroad by November of 1942 Bureau representatives were stationed in all United States Embassies throughout Latin America with the exception of Honduras and Panama. In the larger countries, a number of men had been so assigned, some in the Embassies and some in the various Consulates. Through the cooperation of Mr. Kerle, clearance was obtained from the State Department for exclusive use of the title "Legal Attache" by FBI representatives in United States Embassies abroad with the sole exception of Mexico and Haiti in which countries the United States Ambassadors objected so strongly to the term "Legal Attache" that the Bureau consented to use in these two countries the term "Civil Attache".

The Bureau at this time decided after careful deliberation to establish in each United States Embassy throughout Latin America where we had representatives, an Office to have local jurisdiction and administrative supervision of the work for the entire country involved. These Offices were modeled, for all practicable purposes, as closely after FBI Domestic Field Offices as possible. The Legal Attache in each country was designated as being in charge of the Office and was charged with the responsibility for the administrative supervision under the Bureau's direction of all work performed in the particular country involved. Thus, the Legal Attache became in effect an FBI Special Agent in Charge. At the same time, the Bureau instituted the practice of transmitting all instructions, etc., of a general and uniform nature via the medium of "Memoranda to All Legal Attaches", which were numbered and prepared along the general lines of traditional Bureau Bulletins and traditional SAC Letters.

By this time, the Bureau had succeeded in establishing radio stations in the following foreign localities: Bogota, Colombia; Santiago, Chile; Quito, Ecuador; Rio de Janeiro, Brazil; Havana, Cuba; Lima, Peru; and Montevideo, Uruguay. Also, arrangements were being perfected as rapidly



as possible to establish radios in additional countries. The FBI Technical Laboratory had devised for SIS use a special cipher code which was substituted for the old "X" code in all countries wherein we had Offices established having diplomatic immunity.

The Bureau had succeeded by this time in establishing Agents in many of the United States Consulates in South America, particularly in the larger and more important countries. These Agents became, under the above described procedure, virtual Resident Agents and their Offices in the respective Consulates were patterned as closely as possible and practicable after traditional Resident Agency Offices in the United States.

At the same time, there was adopted and approved by the Bureau a uniform system of reporting by the SIS Offices involving the use of a standard and uniform report form especially designed for use by Legal Attaches. This report was fundamentally based very closely upon the traditional FBI Domestic Field report form, although, of course, certain changes had to be incorporated due to the peculiar nature of SIS work such as the fact that practically all information being reported originally emanated from confidential informants and the additional fact that virtually all information reported was transmitted to other Agencies of the United States Government for informative purposes.

Upon the establishment of Legal Attache Offices in the various Embassies patterned closely after FBI Domestic Field Offices, the Bureau instituted the program of having each Legal Attache carefully coordinate his work within the United States Embassy. In this regard, the Legal Attache was required to keep the Ambassador informed personally and otherwise with regard to the intelligence data obtained and being reported upon. Coordination was also worked out with the local United States Military and Naval Attaches through a series of weekly conferences and also mutual distribution on a selective basis of reports and information obtained in the intelligence field. The Legal Attaches were instructed to be especially careful in keeping Military and Naval Attaches promptly advised of all information having special military or naval interest. In practically all of the Embassies, the United States Ambassadors, being particularly impressed with the value of the work being performed by the Office of the Legal Attache, in contrast with prior conditions locally, instructed that the Legal Attache would be the Embassy official designated as coordinator of intelligence information within the Embassy. Within a very short period of time, each Legal Attache became firmly established as the responsible American official with regard to clandestine intelligence matters, particularly in the field of subversive activities and matters related thereto.

The enlargement of the SIS Supervisory setup and organization at the Seat of Government had kept pace correspondingly with the increased coverage and organization in the Field. It never did become, however, necessary to build up an unduly top-heavy organization at the Seat of Government from the standpoint of numbers of personnel engaged, etc. The largest number of supervisors assigned to this project at the Seat of Government at any one time was twenty-four supervisors, which number was assigned only for a brief period during the very peak of SIS operations.

SIS files and indices, which had from the outset been established and maintained within the SIS Offices at the Seat of Government, were, during the winter of 1942-1943, transferred to the regular Bureau Files Division along with the necessary clerical personnel, etc. who had been engaged in working on the project in the SIS Offices.

From the viewpoint of an outside observer, the Bureau's SIS program had become by this time an extremely efficient and capable organization. From a strictly FBI administrative viewpoint, however, it was still far below ordinary Bureau standards and in many respects just entering upon its most acute experimental and development stage. The mere issuance of instructions from Washington to the newly developed Legal Attaches, most of whom were extremely limited in investigative experience, virtually all being without any prior administrative or supervisory experience, did not by any means immediately solve the many problems and difficulties inherent in this type of work. As might be expected many mistakes were made by the newly fledged Legal Attaches due to lack of experience together with the fact that they were in many respects coping with an entire new and unexplored problem. It required time to properly synchronize and adjust the undercover Agent program in each country as an efficient and smoothly working part of each Legal Attache's Office. Problems with regard to the handling of conferences with these undercover men, the supervision of their work, safe means of communication whereby the undercover people could safely furnish their output promptly to the Legal Attache's Office, required time and considerable experimentation.

The Bureau was still attempting by every means possible to accelerate its total coverage throughout Latin America. Agents were being sent out at the rate of approximately twenty-five to thirty Agents per month and it was not possible or practicable for many reasons to coordinate this additional coverage carefully with the Office of the Legal Attache. It must, of course, be kept in mind that during the first few months following the establishment of the Legal Attache system very few of the Legal Attaches had any comprehensive picture themselves of the actual work within their own country. Many of them were quite new to the country at the time of being designated and much of the work was still largely unexplored and surveyed.

Some effort was made to solicit from each Legal Attache estimates as to the number of people needed by them, but these solicitations proved almost completely valueless and the Bureau continued to send undercover people out on more or less the same basis as before.

This state of affairs enormously complicated the problems of the newly

designated Legal Attache who was already struggling with many difficulties. The overall result was, of course, that within a period of months, Agents were definitely overcrowded in some areas in so far as the work to be performed was concerned while other Offices were suffering from a lack of Agents. Every effort was being made to augment the Staff of each Legal Attache by sending Agents into the various countries assigned as Assistant Legal Attaches and assigned in Consulate Offices. There were serious limitations however as to the rapidity with which this phase of the program could be carried on due to a variety of reasons, including the necessity for clearance and approval from the State Department, and the particular Embassy involved for each such assignment. It was inevitable that many of these undercover people were not properly supervised, especially during the early days of the Legal Attache system and for a number of months subsequent thereto.

It should be mentioned in passing that early in January, 1943, the Bureau dispatched to Latin America, eighteen Special Agents from the Domestic Field especially qualified on plant survey work for the purpose of surveying throughout the entire hemisphere a total of 97 different companies, installations, ports and organizations with a total of 150 branch facilities, requiring physical survey. These surveys were conducted at the request of the State Department, War Department, Navy Department and the War Production Board. This project was eminently successful from the standpoint of the work accomplished and the results obtained. These eighteen Special Agents however were in all respects completely without prior training in foreign work and had no knowledge whatsoever with regard to the Spanish or Portuguese language. The Legal Attaches and their Staffs (still extremely meager in most countries) were required to furnish every assistance in the plant survey project in order to expedite it to the greatest possible extent. This, of course, resulted in many of the Legal Attaches neglecting vital portions of their normal work, particularly from an administrative viewpoint; that is, the constant supervising and assisting of the various undercover Agents still being sent into the countries as rapidly as possible.

Some Legal Attaches proved completely inadequate to their task and had to be replaced. A very few began to resign and enter the Armed Services. Morale throughout the Field Service in Latin America suffered to some extent especially during the Spring and Summer of 1943, following overwhelming allied victories in North Africa and Sicily. These victories, of course, did to some extent deflate the importance of intelligence work in Latin America or at least the urgency thereof due to the fact that danger from enemy invasion no longer existed. A much larger percentage of resignations began to occur from the undercover personnel and some of these Agents after short periods of assignment became thoroughly disgusted with local conditions and completely disillusioned when faced with something entirely different from the glamorous picture visioned by them before undertaking the assignment. A relatively small number either resigned or requested a



transfer back to the Domestic Field, despite the fact that the Bureau had expended considerable sums of money in training and preparing them for the assignment, not to mention the important time element in training and preparing replacements which could not be expected to produce worthwhile results until they had been on assignment for a number of months. The Agents were, of course, subjected to all kinds of ridicule and embarrassing questions from large numbers of American Military and Naval personnel stationed throughout Latin America as to why they were not in uniform and were trying to sell soap, magazines or perform some other ostensibly unimportant and non-war connected job.

Due to the above and many other reasons and circumstances, all more or less completely out from under the Bureau's control, a considerable number of resignations and requested transfers from SIS took place during this period mostly as indicated above from undercover people. It should be kept in mind, however, that each resignation or request of transfer from SIS attracted especial attention due to the nature of the circumstances involved in order that an incorrect picture will not be presented. As a matter of fact, the percentage of resignations, plus requested transfers, was considerably lower than the actual percentage of resignations during the same period from the Bureau's Domestic Field Service. The fact, however, remains that a considerable number of resignations did occur in the one phase of the Service in which none should have occurred.

Meanwhile, expansion of the SIS Field coverage was continued at the same rate as previously until October 4, 1943, at which time, the Bureau ceased further SIS assignments except wherever special need might arise, such assignments to be personally approved by the Director. At the time of this particular order, the Bureau had a total of 583 employees assigned to SIS work, including a total of 94 employees assigned in various Divisions at the Seat of Government engaged on matters pertaining to SIS and also including a number of employees in New York City assigned more or less exclusively to SIS work and matters pertaining thereto. On this particular date, the Bureau had its largest total coverage consisting of Special Agents on foreign assignment, the total figure being 350. On the same date, the Bureau had assigned abroad 29 radio employees, 10 translators, cryptographers and photographers, 11 special employees and a total of 89 clerical employees, making a grand total of 489 Bureau employees on foreign assignment at the time.

Shortly after this, on October 25, 1943, a letter was received by the Bureau from Mr. Berle of the State Department (the letter was actually prepared by one Daniel Hanley, a subordinate officer in Mr. Berle's Division of the State Department), which, in effect, indicated that the Bureau was duplicating work performed by the State Department and other Departments in connection with the investigation and reporting of political and economical matters. The Bureau replied by pointing out the facts and Mr. Berle admitted error and later withdrew the letter from the record. However, it had become quite apparent to the Bureau itself that a drastic reduction in SIS personnel was advisable inasmuch as the work had reached such a stage that the

continued assignment of such a large number of Agents, particularly such a large proportion of undercover Agents, was no longer justified. Accordingly, during October, November and December of 1943, the Bureau recalled from assignment in Latin America Agents and other employees on a somewhat wholesale basis. A total of 136 Agents along with a number of other employees were recalled to the United States for reassignment in the Domestic Field during these months. The State Department, as well as the various Embassies, became somewhat alarmed at these heavy withdrawals of personnel and began protesting such action. The State Department was joined by the various Ambassadors, etc. in requesting resumption by the Bureau of full-scale political and economic investigations and reporting abroad (this work having been temporarily discontinued as a result of the above described State Department letter). The Bureau complied with the request although withdrawals from Latin America continued steadily in so far as the state of the work indicated that the services of such employees could be spared. This withdrawal program was in fact extremely beneficial and advantageous to the overall efficiency of the SIS program. The Bureau was thus enabled to readjust its field coverage in foreign countries on a practical and sound basis depending entirely upon the actual personnel needs temporarily or permanently in each country and locality. Many of the Consular Offices were closed during this period inasmuch as justification for continuance of same had ceased to exist, and all in all the personnel was completely readjusted, the overwhelming majority of same being thereafter assigned in Embassies and Consulates with diplomatic cover supplemented in certain areas by strategically placed undercover representatives utilizing covers best adapted to the particular assignment on the basis of past experience.

Brilliant results had already been obtained in the field of investigative accomplishments abroad to such an extent that a clear-cut picture existed at this time with regard to the amount of pending and necessary work in each Office and each area. The very large and extensive German espionage rings in Brazil had been completely eliminated. Espionage activity had been eliminated in Cuba. The large and extensive espionage clandestine radio rings in Chile had been completely investigated and virtually all of the people arrested. The major espionage subjects and rings in Argentina had been definitely identified and were being kept under more or less constant surveillance. The same situation existed in Paraguay, in Uruguay and Colombia. The principal subjects in the extensive Olog Case in Mexico had been identified and were being investigated via

surveillances and other methods. The Alien Enemy Control Program whereby many dangerous enemy nationals were apprehended and either interned locally or (in most cases) sent to the United States for internment had been virtually completed in all except a few countries. Extensive and efficient informant networks had been established in each country to such an extent that any type of investigation could be conducted on a sound and efficient basis approaching FBI Domestic Field standards of efficiency.

The police liaison program, during 1943, had been extended to most of the major and important countries throughout Latin America. This program involved sending one or more FBI Agents into certain Latin America countries upon request by these countries through diplomatic channels for the purpose of furnishing instruction and assistance to the police and other Government officials interested in intelligence and criminal work. These so-called police liaison men were assigned openly as representatives of the FBI. They worked, however, in each instance under the jurisdiction of the Legal Attache and proved invaluable in connection with the Bureau's overall intelligence coverage and work. Through the police liaison arrangement it was possible and feasible to obtain almost any type of investigative assistance and information from the police in practically every country in Latin America with the exception of Argentina. (No formal police liaison arrangement existed in [redacted])

b7D

Extensive informant networks provided thorough coverage with regard to Latin American [redacted]

b7D

even including in many places [redacted] (we had at various times FBI Agents assigned as [redacted] in different countries).

In addition to the above, extensive informant coverage had been established among foreign Embassies in each country and also among local professional and business groups, refugee groups, etc. Due to the primary emphasis being placed upon German, Italian, and Japanese activities, especial efforts had been made to infiltrate these groups with informants and in some instances with undercover Agents. A number of double agents had been developed, maintaining direct contact with enemy espionage groups.

The plant survey program throughout Latin America had been completed with excellent results and in a number of countries, containing the more important installations from the standpoint of our strategic war interest, special so-called security liaison men had been assigned in the countries to maintain security liaison with local officials, etc.

Agents so assigned also proved of inestimable value in strengthening the overall intelligence coverage and investigative network.

Radio stations had by this time been established in virtually all of the important Latin American countries with the exception of Mexico and Argentina.

Excellent work had been performed and was then being performed with regard to the smuggling of strategic materials by enemy groups endeavoring to smuggle same through the Iberian Peninsula into Germany. The most important work in connection with this enemy smuggling program arose in connection with industrial diamonds from Brazil and Venezuela and platinum from Colombia and Venezuela. A special squad of Agents was dispatched to Bogota, Colombia (a key point in connection with the platinum and diamond smuggling activities) at the request of United States Ambassador Arthur Bliss Lane, for the purpose of facilitating in every way the control of this dangerous problem. This special squad of Agents operated under the overall jurisdiction and supervision of the Legal Attache in Bogota, Colombia. It was enabled through working with [redacted]

[redacted] to identify and eliminate so many of the important smugglers that the backbone of the practice in so far as it might affect strategic war aims was virtually broken within a few months. It should be noted that these Agents in cooperation with the American Embassy advised with local government officials in devising and preparing completely new laws and regulations designed to protect allied war interests in connection with the smuggling of such strategic materials.

b7D

In connection with the establishment of a thorough and efficient informant network in each country, it had been necessary to deal with the very troublesome and dangerous "professional informant" problem described earlier. This was handled very effectively following the establishment of the Legal Attache system in November, 1942. The "professional informants", who were causing untold confusion, waste and harassment by the furnishing of inaccurate and frequently fictitious information concerning enemy activities, were identified, completely exposed and eliminated from the scene by the end of 1943. The most successful method of accomplishing this end proved to be as follows: The regular Attache or some other Agent, in some cases undercover representatives, would actually employ the troublesome informant, analyze his reports and check carefully through coordinative means within the Embassy to see if such informant or accomplices were furnishing the same information to other American officials within the Embassy. The accuracy of the information would be checked through actual investigative means frequently by keeping the suspected informant under constant surveillance by special so-called surveillance informants.



By these and other related means, such as telephone and the mail surveillance, bribery of the informant's mistress, etc., it was almost invariably possible to completely expose the spurious nature of the informant's data within a comparatively short period of time. Once exposed, they were appropriately denounced and with regard to the more troublesome ones neutralized with the assistance of the local police or interment authorities. Many of these "professional informants" were refugees of one kind or another.

Certain mistakes were made in various instances with regard to the development and subsequent handling of informants. The most serious error and the only one which tended to cause any serious difficulty, was the failure on the part of certain Bureau Agents, during the height of war-time activity, to properly and adequately insulate informants with out-out safeguards. This was particularly true in Argentina where the Agents were working under considerable difficulty inasmuch as they were themselves being surveilled, harassed and hampered by the Argentine Police and other authorities. A number of informants in Argentina learned with considerable accuracy the identity of their principals, these being, of course, Bureau Agents. In most instances when this occurred, the Bureau Agents were operating undercover, however, there were actually some occasions when the informant was permitted to learn the identity of some Embassy or Consular Agent principal. A number of these informants were eventually arrested by the Argentine Police and tortured into making more or less complete confessions, including information possessed by them as to the true identity of their principals. Luckily there were no instances involving identification of the Federal Bureau of Investigation itself. In only one instance was an FBI Agent actually arrested and in this instance the Agent (assigned undercover) was enabled within a very few days to secure his release with the cooperation of the Embassy and, of course, immediately left Argentina, not being again assigned on SIS. This Agent was to some extent careless and was criticized therefor, however, his detection and apprehension involved excellent police work on the part of the Argentine Police. Once in difficulty, the Agent acted admirably in maintaining his cover, denying his guilt, and completely protecting the Bureau. The Argentine Police were not able to secure enough evidence, whereby he was released. Upon a number of occasions, however, it did become necessary for the Bureau to smuggle undercover Agents out of Argentina by means of a motor launch which was maintained on the Rio Plata in the Argentine Harbor for this and similar purposes. Certain informants were also smuggled out of Argentina in the same manner. The procedure involved placing undercover Agents or informants known or believed to be under suspicion on the part of the Argentine Police in the launch at night and take them thereby to Montevideo, Uruguay, which is located just across the river from Buenos Aires. As a precautionary safeguard, the practice

was later adopted in Argentina of immediately smuggling out of the country any undercover Agent who had maintained contact with any informant known or believed to be under suspicion or surveillance on the part of the Argentine Police. The Office had a sufficient number of informants throughout the various police organizations whereby the Legal Attache was kept fully informed as to just which of our informants were suspected and being investigated at any particular time.

There was some minor difficulty in countries other than Argentina due to this same failure on the part of Agents to exercise extreme care in utilizing cut-outs in dealing with informants in order to prevent the informants from obtaining identifying data concerning his true principals.

Early in 1944, the Bureau sent Inspector Myron Gurnea on an inspection of all FBI Offices and installations in Latin America, subsequently followed by inspection visits on the part of Mr. Gurnea to FBI Offices and installations in foreign countries other than Latin America. Mr. Gurnea was assisted in these inspections by Special Agent Hober M. Glegg and G. H. Carson of the SIS Division. These inspections proved invaluable with regard to the making of necessary administrative changes in each Office to render same more efficient and more nearly in accordance with FBI Domestic Field Office procedure. The inspections were exceedingly thorough and covered every phase of SIS activities. Completely uniform procedures (with the exception of such slight local variations as proved unavoidable due to peculiar local circumstances, etc.) were placed into effect as a result of these inspections. A complete detailed manual of instructions was prepared at the Seat of Government based upon needs therefor revealed in the course of inspections. Such manual was furnished to each SIS Office.

A number of administrative changes were effected in the personnel assignments as a result of the inspection, two Legal Attaches having been replaced in this connection.

In addition to the value of the inspections from the standpoint of overhaul, unifying and streamlining administrative office procedure, personnel supervision procedure, etc. along the lines of FBI Domestic Field procedure, they also proved of incalculable assistance in helping morale and esprit de corps among SIS employees assigned in Latin America many of whom had not returned to the United States or had any appreciable contact with the Bureau or its officials since originally assigned to Latin America years before. These inspections, which included detailed interviews with each employee, as well as detailed advice, instructions, etc. to the employees, tended to emphasize to each of the employees, the Bureau's continued interest in them and their work.

of the female stenographers and clerical employees utilized on this project, the overall program was enormously benefited, particularly with regard to the performance of efficient administrative functions within each Office.

It should be noted that during August, 1944, the Bureau finally succeeded in establishing an Office in the American Embassy in Honduras despite the continued objections and opposition of the United States Ambassador John B. Erwin and the First Secretary of Embassy, one John B. Faust. Also, during May, 1945, the Bureau, at the request of the Army and the State Department, established a liaison office in the American Embassy in Panama. This office was discontinued during the summer of 1946, following almost continuous difficulty with Army authorities in the Panama Canal Zone and the Republic of Panama, concerning intolerable jurisdictional limitations and harassment.

Early in 1945, it had become possible for the Bureau to permit Agents assigned in Embassies and Consulates in Latin America to be accompanied on assignment by their wives and families. It was not possible and feasible for undercover men to be accompanied by their wives on assignment and this was not permitted at any time during the SIS program.

A considerable number of older and more experienced FBI Domestic Field Agents began to apply for SIS assignment following the last mentioned development. A number of these were furnished assignments and the overall result was generally beneficial. As a rule it was discovered that the older and more experienced domestic field agent encountered much more difficulty in learning the language and adjusting themselves to local conditions abroad than was the case with regard to the younger men more recently graduated from colleges and universities. It is undoubtedly true however that SIS suffered to some extent from a lack of maturity and experience on the part of those assigned abroad from the time of its inception until the end.

Following the surrender of Japan and the cessation of hostilities in August, 1945, the Bureau began to experience extreme difficulty in obtaining any clear-cut decision with regard to the future of the SIS program in order that appropriate plans and preparations could be completed for the carrying on this work. A period of extreme uncertainty and fluctuation ensued, which condition continued to an ever increasing extent until the final and irrevocable decision to close the Offices in July, 1946. During this period of uncertainty and fluctuation, the Bureau upon a number of occasions issued instructions of a drastic nature to SIS Field personnel designed to commence final closing of operations. These instructions would have to be changed within a period of several days due to conflicting instructions and decisions from the State Department and other interested Departments. Many of the more efficient personnel were recalled at various times during this period for a number of reasons and could not be replaced due to the uncertainty of the entire program.

The quality of the work continued excellent, and administratively SIS had definitely "come of age". Up until the final decision to close in July of 1946 (at which time certain preparations for final closing became necessary which had a crippling effect on efficiency, etc.), SIS Offices continued to perform extremely efficient work abroad. The Bureau commenced the operation of finally closing each SIS Office and turning over the work, jurisdiction, files, etc. to the Central Intelligence Group representatives on January 20, 1947, this operation having been completed on April 23, 1947.

It was decided prior to the closing of SIS Offices in Latin America to maintain future liaison assignments for the primary purpose of maintaining liaison with police and other Governmental authorities in the following countries: Mexico, Cuba and Brazil. Agents assigned for liaison purposes in those countries are attached to the United States Embassy therein with the title of Legal Attache.

#### IV. FBI SIS WORK AND COVERAGE IN FOREIGN COUNTRIES OTHER THAN LATIN AMERICA

b7D

Mention has already been made of the assignment of an Agent during 1941 to [REDACTED] This assignment was continued until 1944 when it was finally discontinued due to [REDACTED]

Mention has also been made of the assignment of an FBI Agent in Ottawa, Canada, early in 1942. [REDACTED]

It should be noted that this assignment, at the specific request of [REDACTED] is entirely non-diplomatic [REDACTED]

On October 19, 1942, at the special request of the Chief of Staff, United States Army, Washington, D. C., the Bureau dispatched a Special Agent under cover of being an Army Officer to Moscow, Russia, for the purpose of investigating alleged irregularities in connection with the administration and activities of lend-lease in Russia. This Agent continued on the assignment



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in question until June 4, 1943. The foregoing constitutes the first Bureau assignment in Europe since the formation of the SIS program. However, note should be taken of the fact that four FBI Agents had been loaned to the State Department for special courier work in various parts of Europe (primarily the Iberian Peninsula, the Balkans, Central Europe and Russia) in 1940 prior to the formation of SIS. The special courier assignments were continued until late 1941, when the Agents were withdrawn from Europe and absorbed into the Bureau's regular SIS program.

Late in 1942, arrangements were perfected whereby an FBI Agent was assigned in London, England, to maintain liaison with British Intelligence and Security officials as well as with various American Intelligence officials working in London and vicinity. This Agent is attached to the American Embassy in London, England, with the title of Legal Attache and the assignment has continued until date.

On January 2, 1943, the Bureau loaned three Special Agents to the State Department for the purpose of special undercover investigative work in the Embassy Code Room in Madrid, Spain, London, England and Stockholm, Sweden. It was intended that these assignments would be designed to obtain information concerning irregularities, etc. in the handling of code work at the above points dangerous from a standpoint of United States wartime security. These assignments resulted in extensive recommendations being made to the State Department for suggested changes in procedures, regulations and personnel in the Code Rooms in question.

On January 15, 1943, at the specific request of the War Department and the State Department, Assistant Director P. E. Foxworth and Special Agent Harold D. Laborfeld were dispatched to North Africa for the purpose of conducting a special investigation concerning alleged collaborationist activities in North Africa during the period of German occupation by an American citizen. These men died in the crash of an Army Transport Plane in the jungles of Dutch Guiana while en route to North Africa pursuant to the above described. They were replaced by two other Bureau Agents who completed the assignment and returned to the United States in August, 1943.

In August, 1943, arrangements were perfected for the assignment of an FBI Agent in Lisbon, Portugal, for liaison purposes, and such assignment was consummated immediately. The Agent was attached to the American Embassy in Lisbon with the title of "Legal Attache" for the purpose of maintaining direct and continuous liaison with British and American Intelligence officials working in Portugal which was especially active and strategic at the time from the standpoint of intelligence directly affecting the Western Hemisphere. The Bureau Office in the Embassy in Lisbon was kept open until the summer of 1946, at which time it was closed and all Bureau personnel recalled to the

United States, it having been determined that continuation of the assignment was not justified inasmuch as the strategical importance of Portugal in connection with intelligence matters had ceased.

Also, in August, 1943, a technical expert from the FBI Technical Laboratory was, at the request of the State Department, dispatched on a confidential mission to thoroughly survey and examine the American Embassies in Lisbon, Portugal and Madrid, Spain, for the purpose of insuring protection against technical surveillance, etc. of these Embassies and officers stationed therein. Subsequently, FBI technical experts were assigned to conduct similar surveys in practically all United States Embassies and Legations abroad, including those located in Latin America.

In October, 1943, a Special Agent of the FBI was assigned in Italy to work in direct liaison with the American Advanced Intelligence Group, stationed in Italy of American Force Headquarters. This liaison was maintained until some months following reestablishment by the American Government of an Embassy and Embassy personnel in Rome, Italy, following its liberation. An Office was subsequently established in the American Consulate General in the United States Embassy in Rome, Italy, for liaison purposes which Office continued until late, 1946, it being closed and personnel recalled inasmuch as its continued maintenance was no longer justified.

During April of 1944, an FBI Agent was assigned in Madrid, Spain, for the purpose of maintaining liaison with British and American Intelligence officers working in Spain which was at that time of particular strategic importance in connection with intelligence matters affecting the security of the Western Hemisphere. This Agent was attached to the United States Embassy in Madrid with the title of Legal Attache and the assignment has continued to date.

During September, 1944, two Special Agents of the FBI were assigned to Paris, France, for the purpose of maintaining direct and continuous liaison with Army Intelligence authorities assigned to Supreme Headquarters Allied Forces. Later in 1944, three additional Agents were assigned to the same project. The assignment was subsequently increased to include five additional Agents, including two Agents for assignment as Attaches in the American Embassy in Paris, France, following its reestablishment under United States Ambassador Jefferson Caffery. The Agents, assigned directly in liaison with United States Army Intelligence Forces in France, proceeded with CMAEF Intelligence Headquarters into Hamburg and Berlin, Germany, following the capitulation and occupation of the last named country. Two Agents were also assigned to the maintenance of direct liaison with American Intelligence authorities at General Clark's Headquarters in Vienna, Austria. Late in 1945, all FBI Agents and personnel assigned to the maintenance of direct liaison with Army authorities in France, Austria, and Germany, were recalled due to intolerable conditions

imposed by Army Intelligence authorities with regard to the maintenance of such assignments.

Following the liberation of the Philippines in 1945, two Special Agents were dispatched to the Philippines for the purpose of maintaining direct and continuous liaison with American Intelligence officers of the United States Army at this point. Subsequently, two additional Agents were dispatched on this assignment and a Bureau inspector was sent over for the purpose of inspecting the Bureau's installation in the Philippines during August, 1945. Shortly thereafter the surrender of Japan and occupation thereof by American troops resulted in the Bureau inspector (T. E. Naughten), accompanied by two Special Agents, proceeding to Tokyo, along with American Army Intelligence Headquarters. Thereafter, the assignments were continued, both in the Philippines and Tokyo, Japan, following the return to the United States of Inspector Naughten, for liaison purposes. These assignments were finally simultaneously discontinued in August, 1946, due to the fact that the importance of the assignments to the Bureau had materially decreased in addition to the fact that it had been discovered virtually impossible to work harmoniously and cooperatively in liaison with Army Intelligence authorities abroad.

It will be noted from the foregoing that the Bureau is still maintaining liaison assignments in London, England, Paris, France, Madrid, Spain and Ottawa, Canada. These assignments in addition to those being maintained in a liaison capacity in Latin America constitute all foreign assignments at the present time.

#### V. SIS FINANCES

Immediately upon the formation of the Bureau's SIS program, funds were provided from the President's confidential fund, separate and apart from the Bureau's regular appropriation. This, of course, permitted much greater secrecy with regard to the Bureau's SIS work inasmuch as the funds did not have to be accounted for by vouchers, etc. cleared through the General Accounting Office. However, the Bureau established its own SIS voucher system patterned as closely as possible and practicable after the regular Governmental voucher system and all funds expended in any way whatsoever were covered by salary, living and quarters allowance and expense vouchers.

Due to the nature of the appropriation and the nature of the clandestine work being performed, salaries were not ordinarily paid by Governmental check. The procedure was as follows: The Chief Clerk's Office obtained the necessary funds from the Treasury Department and these funds were deposited in the City Bank in Washington, D. C. in an account maintained under the names of Messrs. W. R. Glavin, D. M. Ladd and G. H. Carson. All withdrawals from this account were required to be supported by vouchers.

approved and signed by the above mentioned three officials. All checks drawn on the authority of such vouchers were required to be signed by at least two of the above described officials. Upon being sent on assignment, individual employees were advanced such funds as might be necessary to cover cost of transportation and other unusual and emergency expenses which might arise prior to the receipt of salary and expense reimbursements. These advances were if necessary permitted to continue until the termination of the SIS assignment, at which time final accountings were submitted and the advance accounts settled.

Also, following the establishment of legal Attache Offices, so-called Office Advance accounts were maintained and charged personally to the legal Attache involved. These advances permitted the legal Attache to draw funds for emergency expenditures of such a nature as would not permit delay encountered by awaiting reimbursement on expense vouchers, etc. These Office Advance accounts were likewise finally settled upon the closing of each Office.

A summary of appropriations and funds made available and expended by the Bureau on its SIS program is as follows:

Immediately upon establishment of the SIS program, the Budget Bureau on July 2, 1940, made available from the President's confidential fund the sum of \$400,000.00. At the close of the fiscal year ending June 30, 1941, the sum of \$144,430.61 had been expended. Due to the available surplus then on hand, no additional funds were made available at the beginning of the fiscal year 1942. On October 8, 1941, the President signed a letter making another \$400,000.00 available to the Bureau for SIS work. During January, 1942, an additional \$100,000.00 was made available by the same means. Thus, a total of \$900,000.00 was made available from the President's fund to cover all expenses of the SIS program from July, 1940, to June 30, 1942. The extreme rapid expansion of SIS work following Pearl Harbor, however, necessitated the expenditure of an additional \$14,026.71, prior to June 30, 1942, so that a deficiency in the last mentioned amount existed. It was arranged for an additional \$1,900,000.00 to be made available to the Bureau for SIS work on June 19, 1942, which funds were earmarked for use during the fiscal year 1942 and fiscal year 1943. On December 23, 1943, the President allocated to the Bureau the additional sum of \$1,000,000.00 in funds to be expended during the fiscal year 1943, thus, making a total of \$2,900,000.00 made available for the fiscal year 1943, minus \$14,026.71 which as indicated above had been utilized to cover a deficiency incurred during the fiscal year 1942. On July 13, 1943, the President allocated to the Bureau the sum of \$5,450,000.00 to cover the expenses of SIS work during the fiscal year 1944. All of these funds were not expended and, for the purpose of providing funds for the fiscal year 1945, the Bureau of the Budget authorized the transfer of funds remaining unexpended from the fiscal year 1943 in the amount of \$75,305.11, together with unexpended funds remaining from the fiscal year 1944 in the amount of \$1,925,000.00 to the fiscal year, 1945. In addition, the



President on July 22, 1944, allocated for SIS expenses during fiscal year 1945, the additional sum of \$1,175,000.00, thus making a total of \$3,175,305.11 available to the Bureau for expenditure during fiscal year 1945. It was provided in the allocation that \$5,000.00 of this sum could be expended in defraying the expenses of foreign police officials visiting the United States. For the fiscal year 1946, the Bureau estimated for SIS operations a total of \$4,000,000.00. The Budget Bureau was so informed and the State Department concurred in the request. However, on July 7, 1945, the Budget Bureau approved only \$1,325,000 for SIS operations and authorized in addition the carry-over of \$175,000.00 remaining from unexpended funds from the appropriation for fiscal year 1945. It was indicated that this sum would cover SIS expenses for the first six months of fiscal 1946 and that at the end of such period a determination would be made as to whether the Administration desired continuance of the SIS program. Following considerable discussion, negotiation and uncertainty, the President finally, by letter dated December 4, 1945, allocated the sum of \$1,446,357.00 to cover SIS expenses during the remaining six months of fiscal 1946.

The amount of \$3,000,000.00 was included in the Bureau's regular appropriation bill for 1947 for use in continuing SIS operations. This amount was not in any way whatsoever earmarked as to the manner in which it should be expended. At the beginning of the 1947 fiscal year, Bureau employees who had been previously removed from the regular Bureau rolls and paid by checks drawn on the special SIS bank account were returned to the regular Bureau rolls and salary checks to them were drawn from the regular Bureau appropriation. Expense checks and other confidential expenses were drawn from [redacted] which was replenished by the Chief Clerk's Office by use of blue slip vouchers.

The following table will reflect funds actually made available and actually expended on SIS operations from the time of its inception until June 30, 1947:

<u>Fiscal year</u>		<u>Funds Available</u>	<u>Total Expenditure</u>
1941		\$400,000.00	\$144,430.61
1942	Carried fwd. from '41	\$255,569.39	
	Add'l appropriations	500,000.00	769,596.10
1943	Appropriations	2,900,000.00	
	Less '42 deficit	14,026.71	2,810,668.18
1944	Carried fwd. from '43	75,305.11	
	Add'l Appropriation	5,450,000.00	3,525,000.00
1945	Carried fwd. fr. '43	75,305.11	
	Carried fwd. fr. '44	1,925,000.00	
	Add'l appropriation	1,175,000.00	3,000,305.11
1946	Carried fwd. fr. '45	175,000.00	
	Add'l appropriations	2,771,357.00	2,946,357.00
1947	Appropriation	3,000,000.00	
	Expenditure to June 30, 1947		1,959,172.89
		Total	15,185,529.89

## VI. JURISDICTIONAL DIFFICULTIES AND LACK OF COOPERATION

Jurisdictional difficulties and lack of proper cooperation, support and assistance from interested Government Departments and Agencies were experienced by the Bureau from the very inception of the SIS program. This was due in part at least to the very loose and somewhat confusing mandate set forth in the Presidential Directive, described hereinbefore.

Apparently General Sherman Miles, then Assistant Chief of Staff in charge of G-2, United States Army, was somewhat instrumental in securing such a loosely drawn and dubious outline of the Bureau's jurisdiction in the SIS field. General Miles was insistent from the beginning that Bureau work in the foreign intelligence field would not materially restrict or limit so-called traditional activities of Army and Navy Intelligence abroad, the latter being more or less included under the auspices of Military and Naval Attache activity.

It was necessary soon after the inception of the SIS program to draw up specific and detailed "delimitation agreements" for the purpose of delimiting by agreement between the three primary intelligence agencies operating in Latin America, namely, MID, ONI and FBI, the jurisdiction, responsibility and functions of each of the participating agencies. These delimitation agreements were changed from time to time although generally speaking they were based upon the general premise that the Bureau would assume responsibility for the investigation of clandestine intelligence generally with primary emphasis upon subversive activities, etc., and the Army and Navy would have responsibility and would confine their activities to matters of peculiar military or naval interest. The various delimitation agreements covering SIS jurisdiction were honored more by violation than observance especially on the part of the Army. Throughout the entire history of SIS, it was the general pattern of Army activity abroad that the Military Attache would to a large extent ignore the terms of the delimitation agreement applicable at the time and would invariably answer protests, etc. on the part of the Legal Attache to the effect that he was carrying out specific instructions from MID Headquarters in the United States and that Army interpretation of the delimitation agreement did not generally speaking delimit or restrict investigative activities on the part of the Military Attaches. Correspondingly, protests, discussion and negotiation with MID Headquarters officials in Washington throughout the entire SIS program with regard to obvious and flagrant violations of the delimitation agreement invariably resulted in such Headquarters officials of MID "passing the buck" to the Attaches and other officials in the field with the excuse that there had merely been a misunderstanding and misinterpretation of the terms of the delimitation agreement by the local Military Attache. As indicated above, this pattern was

repeated so frequently and so persistently that there can be little, if any, doubt but that the local Military Attaches were, in effect, carrying out the instructions of MID Headquarters in Washington, D. C.

This naturally resulted in much local confusion, endless duplication and sometimes considerable embarrassment. It was only by the exercise of the utmost alertness and vigilance, together with prompt and vigorous protests in strong terms, that the Bureau was enabled to keep this situation within any reasonable degree of control.

Soon after Pearl Harbor, there was established by MID in Miami, Florida, an intelligence organization known as the American Intelligence Command, under the direct supervision of Colonel William Herd. The American Intelligence Command issued instructions and orders by directive and otherwise to the various United States Military Attaches throughout the entire hemisphere. It also supervised certain undercover MID operations in Latin America. This organization was particularly objectionable and was responsible for a very large amount of the confusion, duplication and invasion of the Bureau's jurisdiction by MID in Latin America.

Protests, discussion and negotiation with MID Headquarters in Washington were never successful in satisfactorily settling this problem caused by the non-cooperation of Colonel Herd and the American Intelligence Command until the organization was transferred from Miami back to Washington and disbanded during 1944.

The greatest difficulty centered in Argentina where United States Military Attache, General John W. Lange, had established, prior to the advent of the Bureau's SIS, a somewhat comprehensive clandestine intelligence network of informants, etc. General Lange (undoubtedly with the complete support, and in pursuance of instructions by the American Intelligence Command) insisted upon completely ignoring the terms of the delimitation agreement. He proceeded to investigate subversive activities, German espionage, and other intelligence matters generally in Argentina on a wholesale basis until the time of his transfer from Argentina in 1945. This, of course, resulted in very great confusion, duplication, and, in many instances, embarrassment with regard to Bureau efforts in Argentina. It was the subject of much discussion, negotiation, etc. with MID Headquarters in Washington, D. C., with the usual result as indicated above. MID insisted that the violations were solely the fault of General Lange and he insisted that he was merely obeying instructions and orders from MID Headquarters in the United States.

It is not intended in any way to convey the impression that General Lange was the only non-cooperative Military Attache operating in Latin America. As indicated above, they all more or less followed the same general pattern, although some were much more cooperative and friendly on a personal basis than others. General Lange's activities were the most objectionable due to the fact that he was active, intelligent and able and did operate a far-flung intelligence network in Argentina on a very active basis which caused untold difficulty.

The other Military Attaches throughout Latin America were somewhat prone to merely dabble in the investigation of intelligence matters in a somewhat ineffective and not too harmful manner.

Mention has been made previously of the difficulty experienced by the Bureau in trying to work in direct liaison with Army Intelligence attached to field forces in France, Germany and Austria. This difficulty was caused by certain intolerable restrictions, limitations, etc. prescribed for the activities of Bureau Agents assigned in liaison capacity by General Edwin L. Sibert, G-2, Chief, European Theater, attached to General Eisenhower's Headquarters. During September, 1945, when the Bureau had a total of 17 Agents, together with necessary clerical personnel, engaged extensively in liaison intelligence operations of vital importance to FBI responsibilities in connection with the intelligence and security work in the Western Hemisphere, General Sibert issued a recommendation that this force be reduced to a total of two Agents for the entire European Theater, these Agents to be confined to virtually no intelligence activities except maintenance of formal liaison at Headquarters. The Bureau, of course, withdrew all personnel from liaison with the Army except those Agents maintaining liaison with General MacArthur's Headquarters in the Pacific. The latter Agents were withdrawn during 1946, when it had become obvious that satisfactory liaison could not be maintained with Army Field Intelligence Forces.

Some difficulty by way of lack of cooperation was experienced with the United States Naval Attaches abroad, but this was of a very minor nature and was invariably satisfactorily adjusted. It should, of course, be noted in the latter connection that the United States Navy withdrew almost entirely from the intelligence picture in Latin America following important allied Naval and land victories in North Africa and the Mediterranean area late in 1942 and early in 1943. Thereafter, they



maintained Naval Attaches only in the most important countries in Latin America and these enjoyed very small and limited staffs with very limited funds and other facilities for intelligence work.

Generally speaking, cooperation with the British with regard to SIS work was satisfactory, although one incident of minor importance arose in Argentina due largely to the activities of General Lango and his strong influence with British MID in Argentina. The incident involved the revealing of certain FBI double agents to General Lango on the part of the British preparatory to the disclosure of such Agents to the Argentines. The matter was vigorously protested and eventual satisfactory adjustment was made following considerable discussion and negotiation with British Intelligence authorities in the United States and in England.

Some difficulty was experienced with OSS in the Western Hemisphere although this never reached important proportions due to the fact that the Bureau was fortunate in learning of OSS plans for Latin American operations in advance so that effective preventive measures and precautions were undertaken in sufficient time to avert serious difficulty.

In the latter regard, the Bureau was successful in establishing strict requirements for OSS to obtain permission and clearance from the FBI with regard to any activities and operations whatsoever in Latin America incidental to the maintenance of OSS coverage and operations in other areas of the world. Pursuant to these arrangements, OSS secured proper clearance in December, 1942, for a representative to be stationed temporarily in Buenos Aires for the purpose of facilitating arrangements for travel by OSS representatives to and from Europe. Some difficulty ensued by reason of this individual's proclivity to carry on general clandestine intelligence activities in Argentina. He was finally recalled during December, 1943.

Subsequently, upon a number of occasions, OSS obtained clearance for its representatives to travel through Latin America or to be stationed temporarily at certain Latin American ports for the purpose of facilitating their maintenance of coverage and performance of operations in Europe and elsewhere.

The Bureau was enabled through constant vigilance and alertness to prevent serious difficulty in connection with these OSS activities. The Bureau by way of cooperation with OSS made available to certain of their representatives traveling in Latin America at various times FBI communication facilities in order to permit such OSS representatives to maintain communications contact, etc. with their headquarters in Washington, D. C.

The lack of cooperation on the part of the State Department and its representatives experienced by the Bureau during the SIS program was largely centered in the State Department Foreign Career Service and the officials directly connected with the administration thereof.

The State Department Career Service was from the outset extremely suspicious of the Bureau and its SIS program. These people were anything except cooperative although as befits diplomats they ordinarily refrained from displaying open hostility. The Bureau's extreme difficulty in obtaining the privilege of operating in United States Embassies and Consulates throughout Latin America has been described in some detail above. This was caused in large part by hostility and lack of cooperation on the part of the Foreign Career Service. It is true that once the FBI gained the privilege of operating in the Embassies and Consulates, the Agents were enabled through their good work and brilliant results to sell the Bureau and the SIS program to the Ambassadors and to a number of subordinate career officials. Generally speaking, however, the Career Service remained extremely suspicious and quite jealous of the Bureau's work in the foreign field and many career officials who openly voiced support and enthusiasm for the SIS program were probably in actuality hostile thereto.

The Bureau experienced great difficulty in securing proper facilities for our foreign operations, such as diplomatic passports, full diplomatic privileges and immunities in Embassies, Consulates, etc. Many career officials seemed to take delight in withholding cooperation by way of furnishing obstruction and obstacles to the more efficient functioning of the SIS program. Some of the Ambassadors who supported the program exhibited undesirable tendencies to dominate the work of the Legal Attache within the Embassy and to "boss" it to an injurious extent. This was true of former United States Ambassador Spruille Braden, who at one time, while assigned in Havana, Cuba, undertook to personally control and supervise all informants used by Legal, Military and Naval Attaches.

United States Ambassador Messersmith, while assigned in Havana, Cuba, was extremely uncooperative and was later generally hostile and uncooperative when assigned as United States Ambassador to Mexico. During the latter stages of the SIS program, Ambassador Messersmith exhibited more enthusiasm for and cooperation with the SIS program. He was and probably still is, however, basically hostile to the Bureau and to the SIS program except in so far as he thinks it served his best advantage to exhibit friendliness and a spirit of cooperation.

Former United States Ambassador John D. Erwin, assigned in Honduras, was extremely hostile to the idea of the Bureau operating SIS activities in Honduras. He persisted in this attitude to such an extent that the Bureau was unable to establish a Legal Attache in the Embassy in Honduras until the summer of 1944, at which time it was necessary for the Secretary of State to personally order Ambassador Erwin to accept such an assignment despite his continued hostility and objections.

Efforts were made at various times by State Department officials and the Career Service to hamper the work of Bureau Agents in the field of political and economic intelligence. The Bureau at one time in 1943 instructed the cessation of this kind of work altogether whereupon the State Department withdrew its former objections and specifically requested that SIS work in this connection be resumed and continued.

To sum up the attitude of the State Department, it is believed accurate to state that much time, money and difficulty in establishing the SIS program on an efficient basis could have been completely avoided with proper cooperation from the Department as a whole (which the Bureau certainly had every right to expect), which cooperation was definitely not forthcoming. Such cooperation and assistance from the State Department and its representatives, as was later enjoyed by the Bureau, had to be won on an individual piecemeal basis after long delay, much expense and difficulty.

## **VII. CRITIQUE**

Detailed information with regard to the accomplishments of and results obtained by the Bureau's SIS program are set forth in detail, both summarily and by country in the main volume following this Special Supplement under the heading, "Accomplishments".

These statistical accomplishments and results speak for themselves and can without doubt be classed as brilliant. The FBI was instructed to set up the SIS program during the summer of 1940 under extreme difficulties and without any precedent whatsoever to follow with regard to this type of work in foreign countries. As will be noted from the foregoing, the assistance and cooperation from the most interested Departments of the Government, which the Bureau had every right to expect, was not forthcoming on anything like a satisfactory basis. Despite these difficulties, the FBI did establish a foreign investigative organization operating as an integral part of the FBI which was in addition to being the only efficient investigative service operated by any Agency of the Government abroad to date a service which actually approached FBI standards in the United States with regard to overall efficiency and competence. The total

cost which will be noted from the foregoing information concerning SIS finances was extremely insignificant when compared with Governmental expenditure in connection with this type of operation in other areas. The efficiency of the Service was such that any type of investigation desired could be conducted on a prompt and efficient basis and any type of information desired by any phase of the United States Government could be obtained promptly, efficiently and completely without embarrassment to the American Government. This success is undoubtedly attributable solely to the overall efficiency of the FBI and its administration.

Many mistakes were made, but they were corrected in accordance with overall FBI administrative procedure. Generally speaking, it can be stated that such mistakes that were made were attributable to a complete lack of prior experience by the FBI in foreign operations, the complete lack of any precedent for this type of operation, and other circumstances more or less completely removed from Bureau control.

Generally speaking, the mistakes and errors of major importance were inevitable when considered in the light of all circumstances applicable to the entire program. It might be profitable, however, to review these in summary fashion as a basis for possible consideration and study in connection with possible future operations of a similar character.

1. It was definitely a mistake to undertake the establishment of intelligence coverage solely on the basis of clandestine operations. Representation should have been set up in the beginning in the various Embassies and strategic Consulates with complete staffs organized along the lines of Bureau Domestic Field Offices. This coverage should then have been supplemented by strategically placed clandestine coverage following careful study on the part of Bureau Embassy representation as to the covers applicable and offering the greatest chances of success.

As previously indicated, the above fact was the lesson of experience and could probably have been learned in no other way. Also, at the time of the establishment of SIS, it was not possible, due to the attitude of the State Department, to establish the "Legal Attache System" as it later came to exist. It is very dubious if the State Department would have ever agreed to such operation except on an individual piece-meal basis following clandestine operations in each country and the difficulties experienced by all concerned in connection therewith.

It is even more dubious if the President would have ordered the necessary cooperation from the State Department in the beginning or if such orders even had they been forthcoming could have been successfully implemented at the time.

2. Agents were briefed far too hurriedly and sent out on assignment far too rapidly for proper assimilation and adjustment into the program with resultant ill effects.

The above mistake was natural and probably inevitable under all of the circumstances involved. In the future, however, it is believed that in connection with any similar type of operation much greater care should be devoted to detailed briefing and training of the men utilized, together with a much more careful estimate as to the numbers actually needed for proper performance of the work. It is not believed that this mistake would have ensued if the Bureau had been able to establish competent representation with proper jurisdiction and authority in the various United States Embassies at the very beginning of the SIS program inasmuch as such Embassy representation could have supplied the Bureau with information needed in making proper estimates as to the amount of personnel needed in each area.

3. The Agents selected for SIS assignments were in the overwhelming majority of instances younger, and more inexperienced than was desirable.

This mistake was again probably inevitable due to a variety of circumstances as set forth above. The men were largely picked from volunteer ranks and it was the younger and more inexperienced Agents, most of whom were single, that volunteered. Also, the younger men seemed to possess more qualifications and facility with regard to language qualifications. Also, up until approximately 1944, the older and more experienced Agents were largely tied up on extremely urgent and vital Domestic Field work and were not being recommended by the Special Agents in Charge for SIS assignments.

Despite the many legitimate reasons for this occurrence, it is still believed that the Bureau should, in the event of similar operations in the future, give care and consideration to the matter of selecting a proper proportion of older and experienced men (preferably with prior administrative and executive experience) for assignment to work of this kind.

4. The Agents on SIS suffered from a lack of adequate supervision, administrative discipline and direct contact with the Bureau of the kind furnished by regular In-Service training, inspections, etc.

Conditions applicable at the time were definitely responsible for this situation. Prior to the advent of the Legal Attache system, late in 1942, there was, of course, no local supervision whatsoever and virtually no direct contact with the Bureau. Later the Legal Attaches were usually young, inexperienced and especially in the beginning overburdened with a variety of problems of such pressing urgency to cause them to neglect proper administration and supervision of subordinate personnel.

Up until 1944, travel restrictions and limitations due to war conditions were such that In-Service training, etc. on the part of Agents assigned to SIS was virtually impossible. Similarly, it is doubtful if it was practical on the basis of vital Domestic Field needs to assign regular Bureau inspectors to the program much earlier than occurred (early in 1944). The fact, however, remains that these advantages were solely missed and undoubtedly cost SIS much in the way of efficiency as well as improper morale and esprit de corps.

5. Instructions furnished to Agents engaged on SIS with regard to local methods of operation were not altogether adequate, particularly with regard to the developing and handling of informants.

This deficiency was due entirely to the lack of former Bureau experience or any established precedent in connection with the handling of foreign intelligence work.

Later in the SIS program, upon the institution of SIS In-Service Schools in 1944, adequate detailed instructions were furnished on the basis of past experience which had been gained more or less by trial and error.

6. The handling of cover work, that is, the selection of covers for various Agents in the various localities, together with adequate cover training for the Agent was extremely faulty and weak until comparatively late in the SIS program.

The above mistake was also due largely to lack of experience in foreign intelligence work, coupled with the further fact that the Bureau was completely uninformed with regard to conditions, commercial and otherwise in the various localities in Latin America. Under all



of the circumstances applicable at the time it was probably inevitable that the Agents would be given the most likely sounding covers and dispatched to the most logically sounding areas for the exploitation of such covers. What was needed and later developed was adequate and competent surveys with regard to just which covers would prove adequate and logical from within the country to which the representative was being sent. Also, it was necessary to give consideration to the particular kind of work that the particular undercover Agent was going to perform in the country in order that his cover would permit this type of activity.

Following establishment of the Legal Attache system this problem was successfully adjusted. It is doubted if better results could have been logically expected earlier. It should also be noted for possible future reference that commercial covers generally in wartime are extremely weak and objectionable unless the employee to be assigned under same is somewhat elderly or otherwise obviously not good draft material.

It is believed worthy of mention that the Central Intelligence Group, which was in many respects the direct successor of the old OSS Field Operating Group, patterned their activities in Latin America (and also in Europe, according to the best available information) very closely after the system and pattern of procedures devised by the FBI SIS program. This has been carried to such an extent that the CIG officials in Washington have sought FBI Manuals, etc. in an effort to pattern even office administrative procedures such as filing, etc. closely along the lines of the Bureau's SIS.

Mr. Tolson \_\_\_\_\_  
Mr. E. A. Tamm \_\_\_\_\_  
Mr. Clegg \_\_\_\_\_  
Mr. Coffey \_\_\_\_\_  
Mr. Glavin \_\_\_\_\_  
Mr. Ladd \_\_\_\_\_  
Mr. Nichols \_\_\_\_\_  
Mr. Rosen \_\_\_\_\_  
Mr. Tracy \_\_\_\_\_  
Mr. Carson \_\_\_\_\_  
Mr. Egan \_\_\_\_\_  
Mr. Hendon \_\_\_\_\_  
Mr. Pennington \_\_\_\_\_  
Mr. Quinn Tamm \_\_\_\_\_  
Mr. Nease \_\_\_\_\_  
Miss Gandy \_\_\_\_\_

## MEMORANDUM FOR



November 24, 1948

PERSONAL AND ~~CONFIDENTIAL~~  
BY SPECIAL MESSENGER

*cc*  
[Redacted]  
Central Intelligence Agency  
Washington, D. C.

Dear [Redacted]

*20*  
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I have been advised that you contemplate returning to duty with the U. S. Army in the near future.

Permit me to take this opportunity to express my appreciation for the excellent cooperative attitude you have shown the Federal Bureau of Investigation while serving as [Redacted]

[Redacted] Central Intelligence Agency.

I wish you every success in your new assignment.

With best wishes and kind regards,

Sincerely yours,

J. Edgar Hoover

*6-14-99*  
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Mr. Tolson  
Mr. Clegg  
Mr. Glavin  
Mr. Ladd  
Mr. Nichols  
Mr. Rosen  
Mr. Tracy  
Mr. Egan  
Mr. Gurnea  
Mr. Harbo  
Mr. Mohr  
Mr. Pennington  
Mr. Quinn Tamm  
Tele. Room  
Mr. Nease  
Miss Gandy